

Corporate Governance Report 2021

REPORT ON CORPORATE GOVERNANCE AND SHAREHOLDER STRUCTURE

2020 FINANCIAL YEAR

9 MARCH 2021

LEONARDO – Società per azioni

Registered office in Rome, Piazza Monte Grappa no. 4
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Fully paid-up share capital of Euro 2,543,861,738.00

Registered in Rome, Register no. and Tax Ref. 00401990585
VAT no. 00881841001

www.leonardocompany.com

Disclaimer

This Report has been translated into English solely for the convenience of the international reader. In the event of conflict or inconsistency between the terms used in the Italian version of the Report and the English version, the Italian version shall prevail, as the Italian version constitutes the sole official document.



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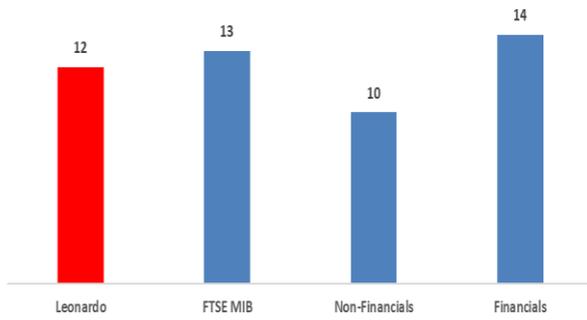
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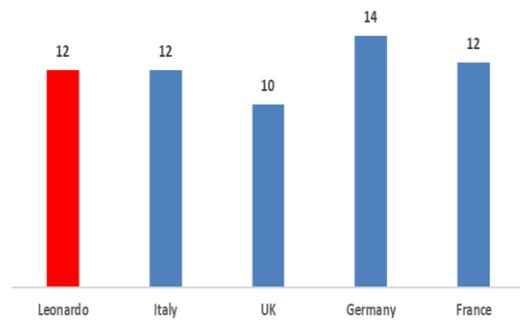
OUR GOVERNANCE AT A GLANCE



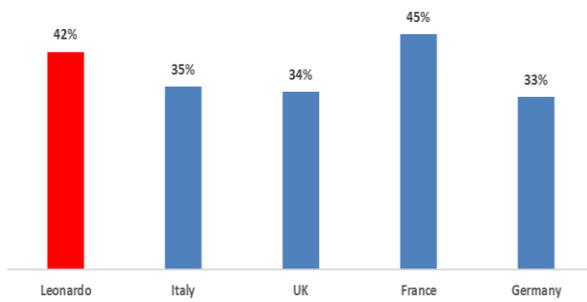
Size - Domestic Comparison



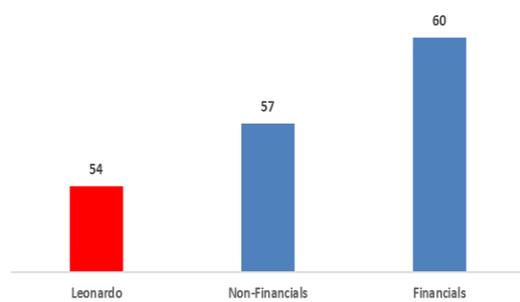
Size European Comparison



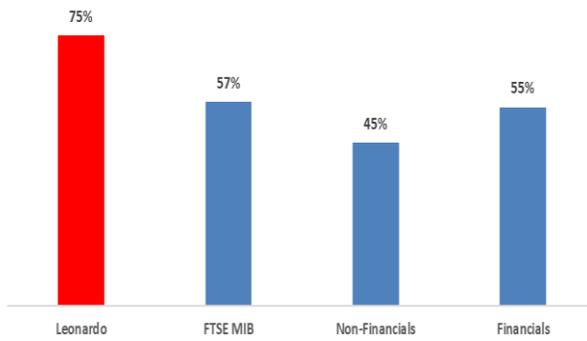
Gender Diversity



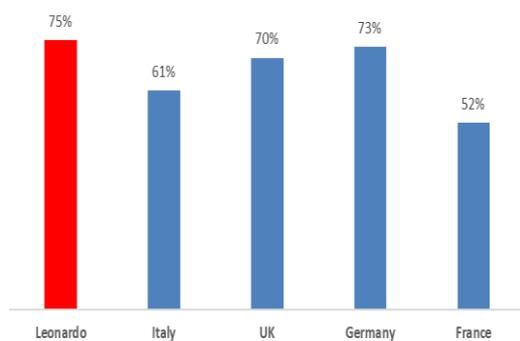
Average Age



% Independence - Domestic Comparison



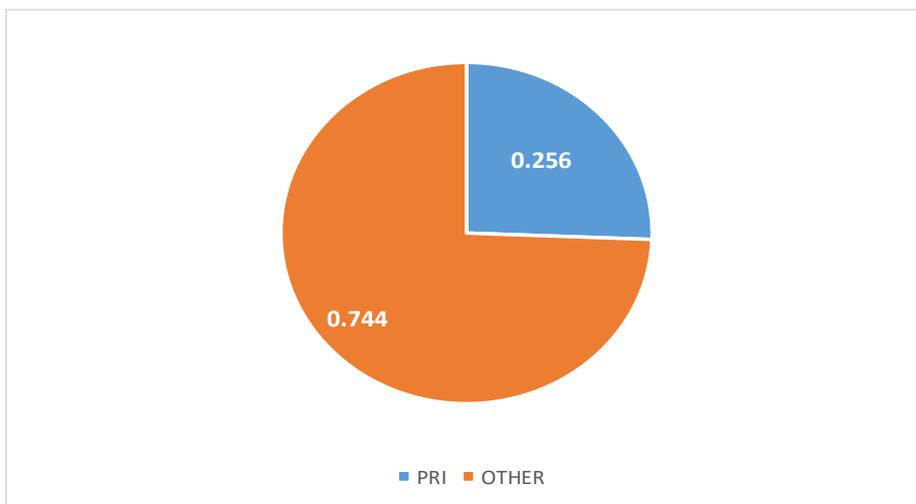
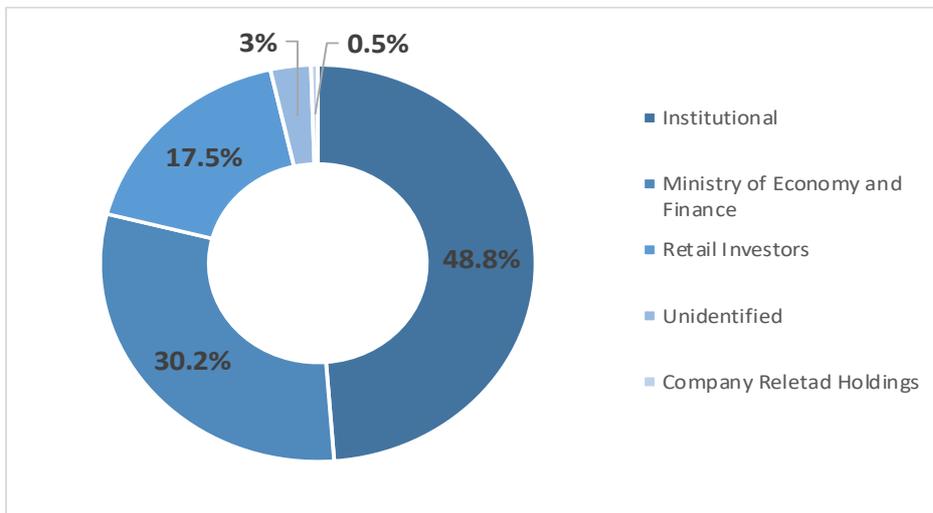
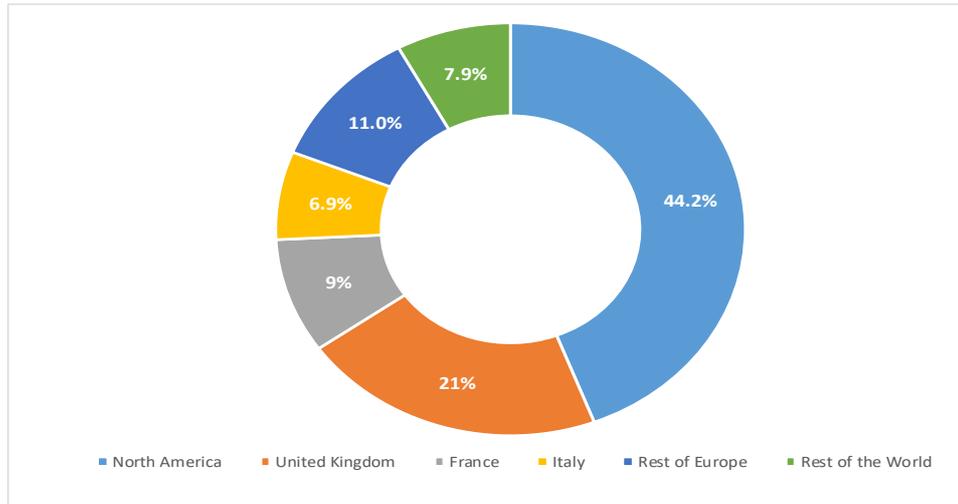
% Independence - European Comparison



SOURCES: Note e Studi: "La Corporate Governance in Italia: autodisciplina, remunerazioni e comply-or-explain (anno 2020)"
Spencer Stuart "Italian Board Index 2020"



LEONARDO'S SHAREHOLDERS – FEBRUARY 2021



The PRI investors are investors that have signed the Principles for Responsible Investment (PRI)



REPORT ON CORPORATE GOVERNANCE AND SHAREHOLDER STRUCTURE

INTRODUCTION

The purpose of this Report, pursuant to Art. 123-bis of the Consolidated Law on Financial Intermediation (Legislative Decree 58/1998), as well as the current laws and regulations governing disclosures concerning compliance with codes of conduct, is to provide the necessary periodic and analytical description of Leonardo S.p.a.'s corporate governance system and its shareholder structure (hereinafter also referred to as "Leonardo" or the "Company").

The disclosure is provided in compliance with the provisions on the contents under paragraphs 1 and 2 of the abovementioned Art. 123-bis and on the basis of the articles of the Corporate Governance Code applicable in the reporting year (hereinafter also referred to as "the Code" or "the applicable Code"). The Company complies with this Code, which was approved by the Corporate Governance Committee.

With regard to the new edition of the Code published on 31 January 2020 ("Corporate Governance Code", hereinafter also the "new Code"), issuers are required to apply such new Code beginning from financial year 2021 (providing the related disclosures in their Reports on Corporate Governance and Shareholder Structure to be published during 2022); the Company hereby highlights – taking account of the content structure of the Report and the applicable Code in force – certain corporate practices already in place in 2020, which keep with the inspiring principles of the new Code and with the expected evolution of the implementing behaviours, in addition to the information reported (par. 15) as to any other action taken to comply with the new Code in the first months of the current 2021 financial year.

This Report also implements the disclosure obligations referred to in Legislative Decree 254/2016 as regards diversity policies, as well as the guidelines laid down in the **Chairman of the Corporate Governance Committee's letter of 22 December 2020 to the issuers**: as usually, the Committee's recommendations and wishes are expressly considered and specifically addressed in the body of this document, when dealing with the various issues, as well as summarised in the final paragraph of the Report.

The applicable Code can be found on the Corporate Governance Committee website (<https://www.borsaitaliana.it/comitato-corporate-governance/homepage/homepage.htm>).

The relevant documentation that is made available to the public and is referred to herein can be found on the Company's website (www.leonardocompany.com).



1. ISSUER PROFILE

In providing a brief Company profile, the subsequent paragraphs should be referred to for a more detailed view of Leonardo's corporate governance structure, the main changes that occurred during the 2020 financial year and the action and measures put in place by the Company to ensure the closest adherence to the Corporate Governance Code.

Company Organisation

The term corporate governance stands for the set of rules and, from a more general point of view, the corporate governance system that regulate the management and control of the Company.

Leonardo's corporate governance model, in line with the principles and criteria of application laid down in the Corporate Governance Code, is directed at the maximisation of value for shareholders, control of business risks and the utmost transparency with respect to the market; it also seeks to ensure the integrity and fairness of decision-making processes.

The Company's corporate governance structure, which is based on the traditional governance model, is consistent with the current laws applicable to listed issuers, as well as with the guidelines of the abovementioned Code and is essentially as follows.

- **SHAREHOLDERS' MEETING**

The Shareholders' Meeting has the power to pass resolutions in ordinary and extraordinary sessions on the matters reserved to it by law or under the By-Laws.

- **BOARD OF DIRECTORS**

The Board of Directors is vested with the fullest powers for the administration of the Company, with the authority to perform any act it considers appropriate to the fulfilment of the Company's business purpose, except for those acts reserved to the Shareholders' Meeting by law or by the By-Laws. The current Board of Directors was appointed by the Shareholders' Meeting on 20 May 2020 for the three-year period from 2020 to 2022.

- **COMMITTEES**

The Board of Directors of Leonardo has established the following internal Committees, with advisory and consulting functions: the **Control and Risks Committee** (which also acts as Committee for Related Parties Transactions), the **Remuneration Committee**, the **Nomination and Governance Committee** and the **Sustainability and Innovation Committee**. The Committees' composition, duties and operation are defined and regulated by appropriate Rules approved by the Board itself, in accordance with the guidelines of the Code.



- **BOARD OF STATUTORY AUDITORS**

The Board of Statutory Auditors has – *inter alia* - the task of monitoring: *a)* compliance with the provisions of law, regulations and by-laws and observance of the principles of proper business administration; *b)* the adequacy of the Company's organisational structure, internal control and risk management system, as well as the administrative and accounting system, and also the latter's reliability as a means of accurately reporting business operations; *c)* any procedures for the actual implementation of the corporate governance rules provided for in the Corporate Governance Code; *d)* the adequacy of the Company's instructions to subsidiaries with regard to disclosures prescribed by law. The current Board of Statutory Auditors was appointed by the Shareholders' Meeting on 15 May 2018 for the three-year period from 2018 to 2020 and members added by the Shareholders' Meeting of 16 May 2019.

- **INDEPENDENT AUDITING FIRM**

The Independent Auditing firm is the company appointed to carry out the statutory audit of accounts. It is appointed by the Shareholders' Meeting, on a reasoned proposal by the Board of Statutory Auditors. The Shareholders' Meeting of 16 May 2012 appointed KPMG S.p.A. to carry out the statutory audit of the Company's accounts for the period from 2012 to 2020. The appointment will expire at the Shareholders' Meeting called to approve the financial statements at 31 December 2020. The Shareholders' Meeting held on 20 May 2020 resolved to appoint EY S.p.A. to carry out the statutory audit of accounts for the nine-year period from 2021 to 2029.

- **OFFICER IN CHARGE OF FINANCIAL REPORTING**

Pursuant to Art. 154-bis of the Consolidated Law on Financial Intermediation and sections 25.4 and 25.5 of the Company's By-Laws, on 20 May 2020 the Board of Directors appointed Alessandra Genco (the Company's Chief Financial Officer) as the Officer in charge of financial reporting until the expiry of the term of office of the current Board of Directors.

Objectives and corporate mission

Leonardo is a leading company in the core sectors of **Aerospace, Defence and Security** (AD&S) with the ability to provide global solutions based on cutting-edge technologies and with dual applications, designed for both the defence sector and the requirements of customers in the civil sector. Leonardo operates through a well-established industrial footprint in four domestic markets (Italy, the United Kingdom, Poland and the United States) and a commercial footprint in about 40 countries., in addition to international subsidiaries, joint ventures and strategic partnerships.

The Group operates with the objective of being a driver of **technological innovation** by developing competitive products and services, in addition to working out sustainability solutions with steady commitment and a forward-looking approach that interprets technological innovation as a crucial



element of **global sustainability**. Thanks to its consolidated industrial capacities, combined with the excellent human capital and a steady attention to innovation, Leonardo has become one of the world's major players in the AD&S sector which fosters and spreads the **culture of innovation and digital transformation** also through a broad network of partnerships with universities and research centres. Leonardo is the result of a great business history deeply rooted into the Italian and European industrial history and is the culmination of a long, radical process of evolution of the Group, of the renewal and replacement of the previous management holding company: the transformation into a **single, integrated operational industrial enterprise** has redesigned the Company's structure in order to make it more compliant with the requirements of customers and the market, readier to carry on with its mission to create long-term value – also through the efficacy of its own governance model – for its shareholders and for all main stakeholders, with a sustainable growth vision in the long term. For more details on the “**One Company**” organisational structure, reference should be made to paragraph 15.

INFORMATION ON THE SHAREHOLDER STRUCTURE

2. INFORMATION ABOUT THE SHAREHOLDER STRUCTURE AT 9 MARCH 2021 (ART. 123-BIS, PARA. 1, TUF, TESTO UNICO DELLA FINANZA, HEREINAFTER CONSOLIDATED LAW ON FINANCIAL INTERMEDIATION)

A) STRUCTURE OF THE SHARE CAPITAL (ART. 123-BIS, PARA. 1, LETT. A), TUF)

The Leonardo's share capital is equal to €2,543,861,738.00 and is made up of 578,150,395 common shares with a par value of €4.40 each, all accompanied by the same rights and obligations. The holders of Leonardo's shares are entitled to vote at the ordinary and extraordinary meetings of the Company.

The Ministry for the Economy and Finance holds a stake of about 30.204% in the share capital of Leonardo. At the date of the approval of this Report the Company owns 2,976,680 treasury shares, equal to about 0.515% of the share capital.

B) RESTRICTIONS ON SHARE TRANSFER (ART. 123-BIS, PARA. 1, LETT. B), TUF)

In accordance with art. 5.1-*bis* of the Company's By-laws, in the application of the special rules under Art. 3 of Decree-law 332 of 31 May 1994, converted with amendments into Law 474 of 30 July 1994, as amended and supplemented, no one, except for the State, public bodies or entities controlled thereby and any other party authorised by law, may possess, on any basis, shares in the Company that constitute a shareholding of more than 3% of the share capital represented by shares with voting rights. The maximum shareholding limit is also calculated in consideration of the total



holding of the controlling undertaking, which may be a natural person, legal person or corporation, by direct or indirect subsidiaries and by the subsidiaries of a single controlling undertaking, by affiliated undertakings and by relatives within the second degree of consanguinity or affinity or spouses, provided that the spouses are not legally separated.

With also reference to parties other than companies, the term “control” is held to be within the meaning of Art. 93 of the Consolidated Law on Financial Intermediation. The term “affiliation” is held to be within the meaning of Art. 2359(3) of the Italian Civil Code, and is also deemed to exist between parties who, directly or indirectly, through their subsidiaries, other than those which manage mutual funds, sign, with third parties or otherwise, agreements relating to the exercise of voting rights or the transfer of shares, belonging to third parties or otherwise, or other agreements or contracts with third parties or otherwise, as referred to in Art. 122 of the Consolidated Law on Financial Intermediation, if such agreements or contracts concern at least 10% of the voting capital for listed companies or 20% of the voting capital for unlisted companies.

For the purposes of calculating the aforesaid shareholding limit (3%), consideration is also given to shares held through trust companies and/or intermediaries or by third parties in general. Voting rights regarding shares held in excess of the maximum shareholding limit indicated above cannot be exercised as better specified in point F) below.

Furthermore, on the basis of the provisions relating to the Government’s special powers that are commented on in point D.1) below and, more in particular, pursuant to article 1, paragraph 5, of Decree Law no. 21 of 15 March 2012, as amended and converted by Law no. 56 of 11 May 2012 and the related provisions, anyone – excluding the Italian Government, Italian public bodies or any entities controlled by the latter – who holds a stake in the share capital which exceeds the threshold of 3 per cent or a stake which exceeds the thresholds of 5%, 10%, 15%, 20%, 25% and 50%, is required to notify the acquisition in question to the Presidency of the Council of Ministers within the terms and according to the procedures set out in the abovementioned Decree Law no. 21/2012, and related implementing provisions. The above shall apply in order to allow the Presidency of the Council of Ministers to exercise the special powers (described in paragraph D.1 below) envisaged in the abovementioned regulations in the event of a threat of serious damage to the essential interests of the national defence and security.

C) MATERIAL SHAREHOLDINGS IN THE SHARE CAPITAL (ART. 123-BIS, PARA. 1, LETT. C), TUF)

The persons who, at the date of the approval of this Report, held, either directly or indirectly, a significant stake in the share capital, on the basis of the notices disclosed pursuant to Art. 120 of the Consolidated Law on Financial Intermediation, are reported in Table 1 in Appendix.



D) HOLDERS OF SECURITIES THAT CONFER SPECIAL CONTROL RIGHTS (ART. 123-BIS, PARA. 1, LETT. D), TUF)

No securities have been issued conferring special control or any other rights.

D.1) SPECIAL POWERS OF THE GOVERNMENT

Decree Law no. 21 of 15 March 2012 (as amended and converted by Law no. 56 of 11 May 2012), hereinafter the “**Golden Power Decree**”, regulates the special powers of the Government on the corporate structures in the sectors of the national defence and security, as well as the activities of strategic importance in the sectors of Energy, Transport and Communications. The Golden Power Decree was amended by Decree Law no. 105 of 21 September 2019 (as amended and converted by Law no. 133 of 18 November 2019), whereby the scope of application of said Law was extended to the sectors (hereinafter the “European Sectors”) previously excluded and identified by the European regulations commented on below (namely financial infrastructure and media), and amendments were introduced to the procedure preparatory to the exercise of the special powers and rules to comply and align with the provisions of Regulation (EU) 2019/452 of the European Parliament and of the Council of 19 March 2019 were issued. This Regulation, which took effect on 10 April 2019 but is fully applicable as from 11 October 2020, established a framework for the screening of foreign direct investments into the European Union as an instrument aimed at protecting strategic activities and monitoring those operations which are likely to affect security or public order in the European Union. Decree no. 108 issued by the President of the Council of Ministers on 6 June 2014 identifies the activities of strategic importance to the national defence and security system, including any key strategic activities, for the purposes of the exercise of the Government’s special powers. The procedures for the application of special powers in the sectors of national defence and security are regulated by Presidential Decree no. 35 of 19 February 2014.

In particular, the regulations governing special powers in the sectors of national defence and security provides, in the event of an actual threat of a serious damage to the essential interests of the national defence and security, for the Government to be entitled to exercise the three special powers described below:

- a) imposition of specific conditions relating to the security of procurement and information, technology transfers, export control, in the case of the acquisition of stakes in companies that carry out activities of strategic importance for the defence and security sector;
- b) veto on the adoption of resolutions, acts or transactions passed by the Shareholders’ Meeting or of the governing body of a company that carries out activities of strategic importance for the defence and security sector relating to extraordinary transactions or transactions of particular importance concerning mergers, demergers, transfer of businesses or branches of business or of subsidiaries, transfer of the registered office abroad, change in the corporate purpose, dissolution



of the company, amendments to by-law clauses that govern the Government's special powers or that may be adopted on limits on voting rights (pursuant to article 2351, paragraph 3, of the Italian Civil Code), as well as assignments of rights *in rem* or of use in relation to tangible or intangible assets or undertaking of obligations that limit their use;

- c) opposition to the acquisition of stakes in a company that carries out activities of strategic importance for the defence and security sector, on the part of an entity other than the Italian Government, an Italian public body or an entity controlled by the latter, where the buyer holds – either directly or indirectly, including through subsequent acquisitions, through third parties or through persons and entities that are otherwise related to each other - a stake in the voting capital which is capable of affecting the interests of the national defence and security (see point b) above). For this purpose, the stake held by third parties with whom the buyer has entered into a shareholder agreement is considered to be included.

The regulations on the Government's golden powers have been subject to some amendments, including, in particular, the introduction of specific transitional rules - in force until 30 June 2021 – under the "Liquidity Decree" (Law Decree no. 23/2020), which has also extended the notification obligation to certain transactions (among those provided for under Art. 2 of the Golden Power Decree relating to the Energy, Transport and Communications sectors) that have as counterparty foreign parties, including those belonging to the European Union, carried out by or regarding companies that hold assets and relationships referable to the European Sectors, as specifically identified by Prime Minister's Decree no. 179/2020 (hereinafter the "Implementing Regulation").

According to the Implementing Regulation, assets and relationships in the Energy, Transport and Communications sectors relevant for the purposes of the regulations were identified, in addition to those set out in previous decrees (including the above-mentioned Prime Minister's Decree no. 108/2014). The sectors falling within the scope of application of the Golden Power Decree, as amended by the Implementing Regulation, include in particular:

- processing, storage, access to and control of data and sensitive information;
- artificial intelligence, robotics, semiconductors, cybersecurity, nanotechnologies and biotechnologies;
- non-military aerospace infrastructures and technologies;
- dual-use products.

E) EMPLOYEE SHAREHOLDING: VOTING MECHANISM (ART. 123-BIS, PARA. 1, LETT. E), TUF

No provision is made for any employee shareholding scheme. With reference to the Incentive Plans adopted by the Company, it should be noted that they do not provide for the voting rights attached to the shares being granted, to be exercised by persons other than the beneficiaries of the Plans. For



more details, reference should be made to the Information Documents prepared pursuant to Article 84-*bis* of the Issuers' Regulation and available in the Corporate Governance section on the Company's website.

F) VOTING RESTRICTIONS (ART. 123-BIS, PARA. 1, LETT. F), TUF)

In accordance with the laws on privatisation (Decree Law no. 332 of 31 May 1994 as amended and converted by Law no. 474 of 30 July 1994 "Rules to speed-up the procedures for the divestment of shareholdings held by the Government and public entities in joint stock companies" *et seqq.*), the Corporate By-Laws (Art. 5.1-*bis*) provide that voting rights relating to shares held above the maximum limit of 3% may not be exercised and that voting rights held by Shareholders in excess of the shareholding limit shall be reduced proportionally, unless otherwise previously and jointly indicated by all the Shareholders concerned. In case of non-compliance, meeting resolutions may be challenged under Art. 2377 of the Italian Civil Code if the required majority would not have been reached had the votes exceeding the maximum limit not been included. However, non-voting shares shall be included for the purposes of calculating the meeting quorum.

G) SHAREHOLDERS' AGREEMENTS (ART. 123-BIS, PARA. 1, LETT. G), TUF)

The Company has no knowledge of any shareholders' agreements as referred to in Art. 122 of the Consolidated Law on Financial Intermediation, regarding the shares.

H) CLAUSES ON CHANGE OF CONTROL (ART. 123-BIS PARA. 1, LETT. H), TUF) AND BY-LAWS PROVISIONS CONCERNING TAKEOVER BIDS (ARTS. 104, PARA. 1-TER AND 104-BIS, PARA. 1, TUF)

Material agreements – which can be disclosed pursuant to Article 123-*bis*, paragraph 1, letter h), of the TUF – which were in force at 31 December 2020, as entered into by Leonardo ("Ldo") or its subsidiaries (on the basis of the notices received pursuant to Article 114, paragraph 2, of the Consolidated Law on Financial Intermediation) and which will become effective, will be amended or extinguished in case of a change of control ("CoC") of the company concerned are listed in the table below with an indication of the corresponding effects.



PARTIES		AGREEMENT	EFFECTS OF THE CHANGE OF CONTROL CLAUSE
LEONARDO SPA	BANCA IMI S.P.A., BANCO BILBAO VIZCAYA ARGENTARIA S.A., MILAN BRANCH, BANCO BPM S.P.A., BANCO SANTANDER, S.A., MILAN BRANCH, BANK OF AMERICA MERRILL LYNCH INTERNATIONAL LIMITED, THE BANK OF TOKYO-MITSUBISHI UFJ, LTD., BARCLAYS BANK PLC, BNP PARIBAS ITALIAN BRANCH, CASSA DEPOSITI E PRESTITI S.P.A., CITIBANK, N.A., MILAN BRANCH, COMMERZBANK AKTIENGESELLSCHAFT, FILIALE DI MILANO, CRÉDIT AGRICOLE CORPORATE AND INVESTMENT BANK, MILAN BRANCH, HSBC BANK PLC, MILAN BRANCH, SOCIÉTÉ GÉNÉRALE, MILAN BRANCH, SUMITOMO MITSUI BANKING CORPORATION EUROPE LTD, MILAN BRANCH AND UNICREDIT S.P.A.	AGREEMENT FOR THE GRANTING TO LEONARDO OF A NEW REVOLVING CREDIT LINE	IN CASE OF CoC OF LDO, WHICH DOES NOT AFFECT THE SHAREHOLDING OF THE ITALIAN GOVERNMENT, AFTER A MAXIMUM 90-DAY PERIOD IN ORDER TO VERIFY WHETHER BANKS INTEND TO CONTINUE PARTICIPATING IN THE CREDIT LINE, EACH BANK CAN REQUEST THE CANCELLATION OF ITS COMMITMENT AND THE RESTITUTION OF ITS STAKE, WITH ANY INTEREST ACCRUED UNTIL THAT DATE
LEONARDO SPA	BARCLAYS; BNP; CRÉDIT AGRICOLE; SACE; SOCIETE GENERALE; DEUTSCHE BANK; UNICREDIT	COUNTER GUARANTEE ISSUANCE AND INDEMNITY AGREEMENT	IN CASE OF CoC OF LDO, AFTER A 90-DAY REGISTRATION PERIOD, EACH BANK MAY REQUEST THE CANCELLATION OF THE COMMITMENT TO COLLATERALISE THE AMOUNT WITH THE PAYMENT OF ITS OWN STAKE, OR THE COMMITMENT BY LDO TO REPLACE THE BANK WITH ANOTHER COUNTER-GUARANTOR
LEONARDO SPA	BANCA IMI S.P.A., INTESA SANPAOLO S.P.A., BANCO SANTANDER, S.A., MILAN BRANCH, BNP PARIBAS, ITALIAN BRANCH, CRÉDIT AGRICOLE – CORPORATE AND INVESTMENT BANK,	GUARANTEE FACILITY AGREEMENT	IN CASE OF CoC OF LDO, WHICH DOES NOT AFFECT THE SHAREHOLDING OF THE ITALIAN GOVERNMENT, AFTER A MAXIMUM 90-DAY PERIOD IN ORDER TO VERIFY WHETHER BANKS INTEND TO CONTINUE



	MILAN BRANCH, SACE S.P.A., SOCIÉTÉ GÉNÉRALE S.A., MILAN BRANCH AND UNICREDIT S.P.A.		PARTICIPATING IN THE CREDIT LINE, EACH BANK CAN REQUEST THE CANCELLATION OF ITS COMMITMENT AND THE RESTITUTION OF ITS STAKE, WITH ANY INTEREST ACCRUED UNTIL THAT DATE, BY SENDING LDO A REQUEST FOR A CASH COLLATERAL FOR THE GUARANTEED AMOUNT
LEONARDO SPA	BANCA IMI S.P.A., BNP PARIBAS ITALIAN BRANCH, COMMERZBANK AKTIENGESELLSCHAFT, FILIALE MILANO, CRÉDIT AGRICOLE CORP. AND INVESTMENT BANK, MILAN BRANCH, INTESA SANPAOLO S.P.A., SOCIÉTÉ GÉNÉRALE, MILAN BRANCH, THE BANK OF TOKYO-MITSUBISHI UFJ, LTD. – MILAN BRANCH, BANCO BPM S.P.A., BANK OF AMERICA, NA, MILAN BRANCH, CITIBANK, N.A. MILAN BRANCH, SUMITOMO MITSUI BANKING CORPORATION EUROPE LTD, MILAN BRANCH, BANCA POP. DELL'EMILIA ROMAGNA SOC. COOP., NATIXIS S.A. – MILAN BRANCH, UNICREDIT S.P.A.	TERM LOAN AGREEMENT	IN CASE OF CoC OF LDO, IN CASE OF A CHANGE OF CONTROL OF LEONARDO, WHICH DOES NOT AFFECT THE SHAREHOLDING OF THE ITALIAN GOVERNMENT, AFTER A MAXIMUM 90-DAY PERIOD IN ORDER TO VERIFY WHETHER BANKS INTEND TO CONTINUE PARTICIPATING IN THE CREDIT LINE, EACH BANK CAN REQUEST THE CANCELLATION OF ITS COMMITMENT AND THE RESTITUTION OF ITS STAKE, WITH ANY INTEREST ACCRUED UNTIL THAT DATE
LEONARDO SPA	BAE SYSTEMS AND AIRBUS GROUP (FORMER EADS)	SHAREHOLDERS' AGREEMENT RELATING TO MBDA SAS, A COMPANY OPERATING IN THE MISSILE SYSTEMS SECTOR	IN CASE OF CoC OF LDO, THE OTHER SHAREHOLDERS - BAE SYSTEMS AND EADS – HAVE THE OPTION OF DECIDING WHETHER TO EXTINGUISH LDO'S RIGHT TO APPOINT CERTAIN MANAGERS AND TO OBTAIN CERTAIN INFORMATION ABOUT MBDA. IF THIS IS REQUESTED BY THE SHAREHOLDERS, LDO CAN ASK THESE SHAREHOLDERS TO BUY ITS STAKE IN MBDA AT MARKET PRICE
LEONARDO SPA	EUROPEAN INVESTMENT BANK (EIB)	AGREEMENT FOR THE GRANTING OF A LOAN FOR THE "DEVELOPMENT	EIB MAY CANCEL THE LOAN AND REQUEST EARLY REIMBURSEMENT IF A



		AND PRODUCTION OF INNOVATIVE AIRCRAFT COMPONENTS” PROJECT OF ALENIA AERMACCHI SPA	PARTY OR GROUP OF PARTIES ACTING IN CONCERT ACQUIRE CONTROL OF LEONARDO PURSUANT TO ART. 2359 OF THE ITALIAN CIVIL CODE OR IF THE ITALIAN GOVERNMENT CEASES TO HOLD AT LEAST 30% OF THE SHARE CAPITAL OF LEONARDO
LEONARDO SPA	EUROPEAN INVESTMENT BANK (EIB)	AGREEMENT FOR THE GRANTING OF A LOAN AIMED AT SUPPORTING 50% OF LEONARDO’S INVESTMENT PROJECTS RELATED TO: I) RESEARCH AND DEVELOPMENT IN PRODUCTS AND TECHNOLOGIES (HELICOPTERS); II) CYBER SECURITY; III) ADVANCE MANUFACTURING (INDUSTRY 4.0) AND IV) INVESTMENTS IN COHESION AREAS.	EIB MAY CANCEL THE LOAN NOT YET DISBURSED AND REQUEST EARLY REIMBURSEMENT OF THE EXISTING LOAN (PLUS INTEREST) IF A PARTY OR GROUP OF PARTIES ACTING IN CONCERT ACQUIRE CONTROL OF LDO EX ART. 2359 OF THE ITALIAN CIVIL CODE OR IF THE ITALIAN GOVERNMENT CEASES TO HOLD AT LEAST 30% OF THE SHARE CAPITAL OF LDO
LEONARDO SPA	CASSA DEPOSITI E PRESTITI S.P.A.	TERM FACILITY AGREEMENT: AGREEMENT FOR THE GRANTING OF A LOAN AIMED AT SUPPORTING THE COMPANY’S OPERATIONS	IN CASE OF CoC OF LDO THAT DOES NOT CONCERN THE ITALIAN GOVERNMENT’S STAKE, AFTER A MAXIMUM PERIOD OF 90 DAYS, AIMED AT ESTABLISHING WHETHER THE BANK INTENDS TO CONTINUE TO PARTICIPATE IN THE LINE OF CREDIT, THE BANK MAY REQUEST THE CANCELLATION OF THE COMMITMENT AND THE REPAYMENT OF THE LOAN, WITH INTEREST ACCRUED UNTIL THAT DATE
LEONARDO SPA	BANCA NAZIONALE DEL LAVORO S.P.A., BANCA IMI S.P.A., BANCO BPM S.P.A., BNP PARIBAS, ITALIAN BRANCH, CRÉDIT AGRICOLE CORPORATE AND INVESTMENT BANK, MILAN BRANCH, HSBC FRANCE, INTESA SANPAOLO S.P.A., NATIONAL WESTMINSTER BANK PLC, SOCIÉTÉ GÉNÉRALE, MILAN BRANCH, UNICREDIT S.P.A.,	AGREEMENT FOR THE GRANTING OF A REVOLVING CREDIT LINE IN FAVOUR OF LEONARDO	IN CASE OF CoC OF LDO THAT DOES NOT CONCERN THE ITALIAN GOVERNMENT’S STAKE, AFTER A MAXIMUM PERIOD OF 90 DAYS, AIMED AT ESTABLISHING WHETHER THE BANKS INTEND TO CONTINUE TO PARTICIPATE IN THE LINE OF CREDIT, EACH BANK MAY REQUEST THE CANCELLATION OF THE COMMITMENT AND THE REPAYMENT OF ITS SHARE OF LOAN, WITH INTEREST ACCRUED UNTIL THAT DATE



	UNIONE DI BANCHE ITALIANE S.P.A.		
LEONARDO SPA	BANCA NAZIONALE DEL LAVORO S.P.A., BANCA IMI S.P.A., BANCO BPM S.P.A., BNP PARIBAS, ITALIAN BRANCH, CRÉDIT AGRICOLE CORPORATE AND INVESTMENT BANK, MILAN BRANCH, HSBC FRANCE, INTESA SANPAOLO S.P.A., NATIONAL WESTMINSTER BANK PLC, SOCIÉTÉ GÉNÉRALE, MILAN BRANCH, UNICREDIT S.P.A., UNIONE DI BANCHE ITALIANE S.P.A.	AGREEMENT FOR THE GRANTING OF A TERM LOAN LINE IN FAVOUR OF LEONARDO	IN CASE OF CoC OF LDO THAT DOES NOT CONCERN THE ITALIAN GOVERNMENT'S STAKE, AFTER A MAXIMUM PERIOD OF 90 DAYS, AIMED AT ESTABLISHING WHETHER THE BANKS INTEND TO CONTINUE TO PARTICIPATE IN THE LINE OF CREDIT, EACH BANK MAY REQUEST THE CANCELLATION OF THE COMMITMENT AND THE REPAYMENT OF ITS SHARE OF LOAN, WITH INTEREST ACCRUED UNTIL THAT DATE
LEONARDO SPA	EUROPEAN INVESTMENT BANK (EIB)	AGREEMENT FOR THE GRANTING OF AN ADDITIONAL AMOUNT OF THE LOAN ALREADY GRANTED ON 29 NOVEMBER 2018	EIB MAY CANCEL THE LOAN NOT YET DISBURSED AT REQUEST THE EARLY REPAYMENT OF THE LOAN PLACE (PLUS INTEREST) IF A PARTY OR GROUP PARTIES ACTING IN CONCEALMENT ACQUIRE CONTROL OF LEONARDO PURSUANT TO ARTICLE 2359 OF THE ITALIAN CIVIL CODE OR IF THE ITALIAN GOVERNMENT CEASES TO HOLD AT LEAST 30% OF THE SHARE CAPITAL OF LDO
LEONARDO SPA	FINCANTIERI	SUPPLY CONTRACT FOR COMBAT SYSTEM AND RELATED INTEGRATED LOGISTICS AND SUPPORT SERVICES, FOR THE 7 VESSELS DESTINED TO THE QATAR EMIR NAVAL FORCE	IN THE CASE OF AN ASSIGNMENT IN FURTHERANCE OF CORPORATE MERGER, REORGANISATION, RECONSTRUCTION OR ANY SIMILAR SOLVENT PROCEEDING, THE CLIENT'S CONSENT SHALL NOT BE UNREASONABLY WITHHELD.
LEONARDO SPA	THALES	SHAREHOLDERS' AGREEMENT RELATING TO THALES ALENIA SPACE SAS ("TAS" -LEONARDO 33%)	IN CASE OF CoC OF LDO TO A COMPETITOR OF THALES, THALES IS ENTITLED TO BUY – AND LDO IS BOUND TO SELL-LDO'S SHARES IN TAS AT A PRICE TO BE AGREED BY THE PARTIES
LEONARDO SPA	THALES	SHAREHOLDERS' AGREEMENT RELATING TO TELESPAZIO SPA (LEONARDO 67%), A COMPANY OPERATING IN	IN CASE OF CoC OF LDO IN CASE OF A CHANGE OF CONTROL OF LEONARDO TO A COMPETITOR OF THALES, THALES IS



		THE SATELLITE SERVICES SECTOR	ENTITLED TO SELL ITS STAKE IN TELESPAZIO TO LDO AT A PRICE TO BE AGREED BY THE PARTIES
LEONARDO SPA	THALES AND BENIGNI	SHAREHOLDERS' AGREEMENT RELATING TO ELETTRONICA SPA (LEONARDO 31.33%), A COMPANY OPERATING IN THE DEFENCE ELECTRONICS SECTOR	IN CASE OF CoC OF LDO, IN CASE OF A CHANGE OF CONTROL OF LEONARDO, THE OTHER SHAREHOLDERS HAVE THE RIGHT TO BUY LDO'S SHARES IN ELETTRONICA ON A PRO-RATA BASIS AT A PRICE TO BE AGREED BY THE PARTIES
LEONARDO SPA	AIG	AGREEMENT FOR THE GRANTING OF AN INSURANCE CREDIT LINE FOR THE ISSUE OF SIGNATURE LOANS (BID BOND, PERFORMANCE BOND ETC.) IN THE INTERESTS OF THE LEONARDO GROUP'S COMPANIES	IN CASE OF CoC OF LDO, THE INSURANCE COMPANY MAY REQUEST AN IMMEDIATE CASH DEPOSIT EQUAL TO THE AMOUNTS OF THE GUARANTEES IN FORCE AND TO CANCEL THE CREDIT LINE
LEONARDO SPA	<ul style="list-style-type: none"> • AIG (PRIMARY POLICY) <p>EXCESS POLICIES TO PRIMARY</p> <ul style="list-style-type: none"> • GENERALI + CO-INSURERS • CHUBB + CO-INSURERS • SWISS RE+ CO-INSURERS • ZURICH+ CO-INSURERS • AGCS+ CO-INSURERS 	INSURANCE SCHEME FOR DIRECTORS AND OFFICERS	THE INSURER WILL NOT BE LIABLE FOR ANY LOSSES ARISING FROM OR ARE BASED ON, OR ARE ATTRIBUTABLE TO AN INSURED EVENT UNDER THE POLICY, WHICH OCCURS AFTER THE EFFECTIVE DATE OF A TRANSACTION THAT ENTAILS A CoC OF THE COMPANY
LEONARDO SPA	GENERALI + OTHER CO-INSURERS	INSURANCE SCHEME FOR AVIATION	THE INSURER IS ENTITLED TO WITHDRAW FROM THE CONTRACT IN THE CASE OF THE MERGER OF THE INSURED COMPANY WITH ONE OR MORE COMPANIES OR IN THE CASE OF DISPOSAL
LEONARDO SPA	GENERALI + OTHER CO-INSURERS (PRIMARY POLICY)	PROPERTY ALL RISKS	THE INSURER IS ENTITLED TO WITHDRAW FROM THE CONTRACT IN CASE OF SUBSTANTIAL CHANGES OF LEONARDO OWNERSHIP
LEONARDO SPA	PUBLIC JOINT STOCK COMPANY "AVIATION HOLDING COMPANY "SUKHOI" WING NED B.V.	SHAREHOLDERS' AGREEMENT RELATING TO SUPERJET INTERNATIONAL SPA (LEONARDO 10%), COMPANY FOR THE IMPLEMENTATION OF THE "SUPERJET 100	IN CASE OF CoC OF LDO, SUKHOI MAY EXERCISE THE CALL OPTION CONCERNING THE SHARES OF SUPERJET INTERNATIONAL HELD BY LDO



	SUPERJET INTERNATIONAL S.P.A.	PROGRAM”, WHICH FORMS PART OF THE “RUSSIAN REGIONAL JET PROGRAM”	
LEONARDO SPA	ELBIT SYSTEMS LIMITED	TEAMING AGREEMENT REGARDING THE BUSINESS AND TECHNICAL COLLABORATION AMONG THE PARTIES RELATED TO SURFACE UNMANNED VEHICLES MANUFACTURED BY ELBIT, EQUIPPED WITH LIGHT TORPEDO LAUNCH SYSTEMS PRODUCED BY THE DEFENCE SYSTEMS DIVISION	IN CASE OF CoC OF THE PARTIES, THE RIGHTS AND OBLIGATIONS ARISING FROM THE AGREEMENT CAN BE TRANSFERRED TO THIRD PARTIES EXCEPT WITH THE PRIOR WRITTEN CONSENT BY THE PARTIES
LEONARDO SPA	THE BOEING COMPANY BOEING DEFENCE SPACE & SECURITY AND AGUSTA WESTLAND PHILADELPHIA CORP. (“AWPC”)	AGREEMENT FOR THE SUPPLY TO BOEING OF: - AW 139 HELICOPTERS TO BE CONVERTED INTO MH139 FOR THE UNITED STATES AIR FORCE; - DEVELOPMENT ACTIVITIES, SIMULATORS, SPARE PARTS, SUPPORT, GROUND SUPPORT EQUIPMENT, LICENCES, TRAINING	CoC REQUIRES APPROVAL BY BOEING, EXCEPT IF AWPC WERE MERGED /MERGED BY TAKEOVER INTO ANOTHER US COMPANY FULLY CONTROLLED BY LDO, PROVIDED THAT THIS REORGANISATION TAKES PLACE IN THE THREE YEARS AFTER THE SIGNATURE OF THE CONTRACT
LEONARDO SPA	- BANCA IMI SPA - INTESA SANPAOLO S.P.A. - SACE S.P.A. - UNICREDIT S.P.A. - CRÉDIT AGRICOLE - SOCIÉTÉ GÉNÉRALE, - BANCO SANTANDER S.A - BNP PARIBAS	“GUARANTEE FACILITY AGREEMENT” (GFA) REGARDING THE ISSUE OF THE NECESSARY BANK GUARANTEES FOR THE QATARI NH90 CONTRACT	NOTIFICATION OBLIGATION WITH ENSUING RIGHT OF EXCLUSION OF THE COUNTERPARTY FROM THE FACILITY. OPENING OF A “NEGOTIATION PERIOD” WITH THE DISSENTING PARTY AFTER WHICH THE LATTER MAY REQUIRE CANCELLATION OF ITS COMMITMENTS AND REPLACEMENT WITH ANOTHER COUNTER-GUARANTOR
LEONARDO SPA	GENERAL HEADQUARTERS OF THE ITALIAN FINANCIAL POLICE (“GDF”)	CONTRACT FOR THE SUPPLY OF 24 TWIN-ENGINE MEDIUM-LIGHT CLASS HELICOPTERS AW169 AND RELATED EQUIPMENT, AS WELL AS TECHNICAL, LOGISTIC AND TRAINING SUPPORT	COMPANIES’ DISPOSALS, CONVERSIONS AND MERGERS SHOULD BE COMMUNICATED TO THE PROCUREMENT UNIT OF THE GENERAL HEADQUARTERS OF THE ITALIAN FINANCIAL POLICE IN ORDER TO HAVE THE CHANGE, IF ANY,



			APPROVED IN CASE OF ANY OMISSION, PENALTIES SHALL APPLY UNDER THE CONTRACT, WITHOUT PREJUDICE TO THE RIGHT TO COMPENSATION FOR DAMAGE AND THE POWER TO DECLARE THE CONTRACT TERMINATED
LEONARDO SPA	PRATT & WHITNEY CANADA CORP. (P&WC)	FRAMEWORK AGREEMENT FOR THE SUPPLY OF HELICOPTER ENGINES	RIGHT OF THE COUNTERPARTY TO WITHDRAW FROM CONTRACT IN CASE OF: - CONTROL OF LEONARDO IS ACQUIRED BY A COMPETITOR OF P&WC; - CHANGE OF CONTROL TRIGGERING A CONFLICT WITH THE BUSINESS INTERESTS OF P&WC
LEONARDO SPA (FORMER AGUSTAWESTLAND SPA)	GENERAL ELECTRIC COMPANY (THROUGH THE AVIATION BUSINESS UNIT, MA, USA - "GE")	FRAMEWORK AGREEMENT RELATING TO THE SUPPLY OF HELICOPTER ENGINES I	RENEGOTIATION OF THE AGREEMENTS IF CONTROL OF LDO IS ACQUIRED BY A COMPETITOR OF GE; LDO IS LIABLE FOR ANY BREACH OF CONFIDENTIALITY IN RELATION TO THE GE'S PROPRIETARY INFORMATION
LEONARDO SPA (FORMER AGUSTAWESTLAND SPA)	BELL HELICOPTER TEXTRON	LICENCE FOR THE PRODUCTION AND SALE OF 412, 412SP, 412HP, 412EP-SAR, 212, 206°, 206B HELICOPTERS AND SPARE PARTS	TERMINATION OF THE AGREEMENT IN CASE OF TRANSFER OF OWNERSHIP OF LDO TO A THIRD-PARTY HELICOPTER MANUFACTURER AND SELLER, EXCLUDING INTRA-GROUP TRANSFERS
LEONARDO SPA (FORMER AGUSTAWESTLAND SPA)	BOEING COMPANY DEFENCE & SPACE GROUP	AGREEMENT FOR THE REVISION AND SALE OF THE CH47C MODEL AND SPARE PARTS	EXPRESS CANCELLATION CLAUSE, EXCLUDING TRANSFER OF CONTROL WITHIN THE LDO GROUP
LEONARDO SPA (FORMER AGUSTAWESTLAND SPA)	OJSC "OPK" OBORONPROM; LLC "INTERNATIONAL HELICOPTER PROGRAMS"; JSC HELIVERT (THE JV COMPANY)	AGREEMENT RELATING TO THE JOINT VENTURE JSC HELIVERT FOR PRODUCTION AND SALE OF THE CIVIL HELICOPTER AW139 IN RUSSIA AND IN OTHER CIS COUNTRIES	TERMINATION OF THE JOINT VENTURE AGREEMENT AND WINDING-UP OF THE J.V. COMPANY ON THE PART OF THE MEMBERS IN CASE OF CHANGE OF CONTROL IN LDO'S SHAREHOLDER STRUCTURE
LEONARDO SPA	INTESA SANPAOLO S.P.A. - UNICREDIT S.P.A.	BANK GUARANTEES ON THE CAIRO/N/AF/LEONARDO S.P.A. CONTRACT ENTERED INTO	<u>UNICREDIT</u> OBLIGATION TO NOTIFY THE BANK IN ADVANCE OF ANY CHANGES IN THE LEGAL OR CORPORATE



		<p>ACCORDING TO THE “MASTER AGREEMENT” CONCERNING THE ISSUE OF FIRST-DEMAND BANK GUARANTEES</p>	<p>STRUCTURE / FACTS THAT MAY ALTER THE COMPANY’S STRUCTURE AND ORGANISATION; TERMINATION OF THE CONTRACT IN THE EVENT OF ANY CHANGES THAT, IN THE BANK’S OPINION, PREJUDICE THE ABILITY TO MEET THE OBLIGATIONS UNDERTAKEN OR ADVERSELY AFFECT THE LEGAL, CAPITAL, FINANCIAL OR ECONOMIC STRUCTURE OF THE CUSTOMER UNDER THE FACILITY AGREEMENT OR THE INTEGRITY AND EFFECTIVENESS OF THE GUARANTEES</p> <p><u>INTESA SANPAOLO</u></p> <p>THE POSSIBILITY OF THE ITALIAN GOVERNMENT CEASING TO HOLD A CONTROLLING INTEREST IN THE APPLICANTS’ CAPITAL IS REGARDED AS A CAUSE ATTRIBUTABLE TO THE APPLICANT THAT ALLOWS THE BANK TO TERMINATE THE CONTRACT; THE APPLICANT IS REQUIRED TO DELIVER TO THE BANK A FORMAL, FULL AND UNCONDITIONAL RELEASE OF ANY OUTSTANDING GUARANTEE</p>
<p>LEONARDO SPA (FORMER ALENIA AERMACCHI SPA)</p>	<p>BOEING COMPANY</p>	<p>GENERAL TERMS AGREEMENT (“GTA”) CONCERNING THE STAKE OF ALENIA AERMACCHI SPA IN THE BOEING 787 PROGRAMME</p>	<p>SECTION 20.4 OF THE GTA PROHIBITS THE ASSIGNMENT OF THE CONTRACT (ALSO CONSIDERING THE CoC OF LDO AS SUCH) WITHOUT THE AUTHORISATION OF BOEING. IN THE EVENT OF THE BREACH OF THE ABOVEMENTIONED CLAUSE ON THE PART OF LDO, BOEING SHALL BE ENTITLED TO TERMINATE THE CONTRACT WITH LEONARDO EITHER IN WHOLE OR IN PART. FURTHERMORE, SHOULD LDO BREACH THE SECTION 20.4, BOEING SHALL BE ENTITLED TO BE REPAYED, ON A PROPORTIONAL BASIS</p>



			<p>– AS REGARDS THE SHIPSETS NOT DELIVERED BY LDO AS AT THE DATE OF THE BREACH – ANY SUMS PAID BY BOEING TO LDO ACCORDING TO SECTION 5.9 OF THE AGREEMENT NAMED “SPECIAL BUSINESS PROVISIONS” IN FORCE BETWEEN BOEING AND LDO AGAIN IN RELATION TO THE 787 PROGRAMME</p>
<p>LEONARDO SPA (FORMER ALENIA AERMACCHI SPA)</p>	AIRBUS	<p>AGREEMENT CONCERNING THE SALE OF 886 SERIES OF SECTION 14° OF A321 AIRCRAFT IN THE ACF (AIRBUS CABIN FLEX) VERSION</p>	<p>IN THE CASE OF AN ACQUISITION BY A THIRD PARTY OF THE DIRECT OR INDIRECT CONTROL OF THE SUPPLIER, IT IS PROVIDED THAT THE LATTER:</p> <p>A) SHALL GIVE PRIOR WRITTEN NOTICE THEREOF TO THE PURCHASER, SPECIFYING THE POTENTIAL INVESTOR / PURCHASER, THE CHANGE IN THE COMPOSITION OF THE SHARE CAPITAL OR ANY OTHER CHANGE;</p> <p>B) SHALL PROVIDE ANY SIGNIFICANT INFORMATION DURING THE CHANGE OF CONTROL PROCESS.</p> <p>IF THE PURCHASER BELIEVES THAT THIS EVENT MIGHT SUBSTANTIALLY AFFECT THE SUPPLIER’S ABILITY TO FULFIL ITS OBLIGATIONS, OR IF THIS CHANGE OF CONTROL IS NOT ACCEPTABLE IN TERMS OF STRATEGY IN FAVOUR OF A PARTY, THE PURCHASER IS ENTITLED TO WITHDRAW FROM THE CONTRACT AND FROM ANY RELATED ORDER WITHIN 28 DAYS OF THE DAY ON WHICH IT BECOMES AWARE THEREOF</p>
<p>LEONARDO SPA (FORMER ALENIA AERMACCHI SPA)</p>	LOCKEED MARTIN AERO	<p>STRATEGIC TEAMING AGREEMENT THAT SETS OUT THE GENERAL TERMS OF THE RELATIONSHIPS BETWEEN THE PARTIES UNDER JOINT STRIKE FIGHTER (“JSF”)</p>	<p>TERMINATION OF THE AGREEMENT AT THE OPTION OF LOCKEED MARTIN IN CASE OF A CHANGE OF OWNERSHIP OR CONTROL OF LDO</p>



		PROGRAMME TO BUILD A 5TH GENERATION MULTIROLE FIGHTER PLANE	
LEONARDO SPA (FORMER ALENIA AERMACCHI SPA)	ELBIT SYSTEMS LIMITED	“CONTRACTOR LOGISTIC SUPPORT CONTRACT” FOR LOGISTIC SUPPORT (SUPPLY, REPAIR AND SERVICE OF SPARE PARTS) TO THE ISRAELI M-346 FLEET	ARTICLE 37.1 OF “CONTRACTOR LOGISTIC SUPPORT CONTRACT” ENVISAGES THAT IN CASE OF A COC OF LDO, AS A RESULT OF WHICH THE SAME BECOMES SUBJECT TO THE MANAGEMENT AND CONTROL BY A CONTROLLING SHAREHOLDER LINKED TO A STATE THAT DOES NOT HAVE DIPLOMATIC RELATIONS WITH ISRAEL, A PRIOR WRITTEN CONSENT IS REQUIRED FROM ELBITMALIFLAMI
LEONARDO SPA	CAE INC.(CANADA) AND CAE AVIATION TRAINING B.V. (NETHERLANDS)	“JVCO SHAREHOLDER’S AGREEMENT” - ANNEX NO. TO THE COLLABORATION AGREEMENT BETWEEN LDO, CAE INC.(CANADA) AND CAE AVIATION TRAINING B.V. (NETHERLANDS)	CLAUSE 11.5.1 OF THE “JVCO SHAREHOLDER’S AGREEMENT” PROVIDES FOR THE POSSIBILITY FOR CAE AVIATION TRAINING B.V. TO SELL ITS ENTIRE STAKE IN THE JVCO LEONARDO CAE ADVANCED JET TRAINING S.R.L. (I.E. 50% OF CAPITAL) AT A SET PRICE (OPTION PRICE + 10%), IN THE CASE OF ANY “CHANGE OF CONTROL UPON LDO”
LEONARDO SPA (FORMER SELEX ES SPA)	THALES ALENIA SPACE FRANCE	CONTRACT FOR THE SUPPLY OF INSTRUMENTS (SLSTR) ON SATELLITES FOR THE COPERNICUS SENTINEL 3 PROGRAMME 3	IN CASE OF A CHANGE OF CONTROL: PRIOR WRITTEN NOTICE TO TAS SPECIFYING THE POTENTIAL INVESTOR / BUYER OR ANY OTHER CHANGE; OBLIGATION TO PROVIDE TAS WITH ANY AND ALL SIGNIFICANT INFORMATION DURING THE PROCESS OF CHANGE OF CONTROL; PROHIBITION ON THE ASSIGNMENT OR TRANSFER THE CONTRACT TO THE NEW PARENT ENTITY WITHOUT THE WRITTEN CONSENT OF TAS; RIGHT GRANTED TO TAS TO WITHDRAW FROM THE CONTRACT



PARTIES		AGREEMENT	EFFECTS OF THE CHANGE OF CONTROL CLAUSE
SUBSIDIARIES			
AGUSTAWESTLAND PHILADELPHIA CORPORATION	BELL HELICOPTER TEXTRON INC.	LICENCE AGREEMENT FOR THE TECHNOLOGY OF THE HELICOPTER AW609	THE TRANSFER OF THE LICENCE AGREEMENT, IN THE CASE OF CoC IN AWPC OR OF GROUP COMPANIES, IS INEFFECTIVE AND INVOLVES THE TERMINATION OF THE LICENCE AGREEMENT AND OF ALL THE OTHER AGREEMENTS WITH BELL RELATED TO THE HELICOPTER AW609, EXCEPT WITH THE PRIOR WRITTEN CONSENT BY BELL HELICOPTER TEXTRON INC.
AGUSTAWESTLAND PHILADELPHIA CORPORATION	CAE FLIGHT SOLUTION USA INC.	ROTORSIM USA LLC AGREEMENT	IN CASE OF A CoC OF ONE OF THE PARTIES IN FAVOUR OF A COMPETITOR OF THE OTHER PARTY, THE LATTER IS ASSIGNED THE PRE-EMPTION RIGHT CONSISTING IN THE SALE OF ITS STAKE IN ROTORSIM USA LLC
AGUSTAWESTLAND PHILADELPHIA CORPORATION	ARMY CONTRACTING COMMAND-REDSTONE (FMS IMOD).	SEVEN NEW AW119KX AIRCRAFTS, PILOT AND MAINTAINER TRAINING, INITIAL SPARES PACKAGE, TOOLS AND GROUND SUPPORT EQUIPMENT (GSE) ENGINE ARES AND ENGINE SPARES PACKAGE ALONG WITH THE DEVELOPMENT OF TRAINING AID DEVICES	THE CoC OF AWPC THE CHANGE OF CONTROL OF AWPC REQUIRES CUSTOMER APPROVAL, EXCEPT IF AWPC WERE MERGED WITH/INTO ANOTHER US COMPANY FULLY OWNED BY LDO



LEONARDO AUSTRALIA PTY LTD (FORMER AGUSTAWESTLAND AUSTRALIA PTY LTD)	DEVELOPMENT VICTORIA	LEASE AGREEMENT FOR THE FISHERMANS BEND SITE TO HOST THE MAINTENANCE, OVERHAUL AND REPAIR CENTRE OF THE MAIN TRANSMISSIONS OF THE NH90 AND AW139 HELICOPTERS	OBLIGATION TO NOTIFY IN ADVANCE ANY CoC TO THE CUSTOMER. THE AGREEMENT PROVIDES FOR THE TERMINATION OF THE AGREEMENT IN CASE OF BREACH BY LDO AUSTRALIA OF ANY OF ITS OBLIGATIONS
LEONARDO MW LTD	NORTHROP GRUMMAN	“MISSILE COUNTER MEASURE (INFRARED)” CONTRACT	TERMINATION OF THE CONTRACT OR ALTERNATIVELY A REQUEST FOR ADDITIONAL PERFORMANCE GUARANTEES, AT THE DISCRETION OF THE PARTY NOT SUBJECT TO A CoC
LEONARDO MW LTD	BAE SYSTEMS	TyTAN JAS	THE CONTRACTING PARTY SHALL INFORM THE AUTHORITY IN WRITING, AS SOON AS POSSIBLE, OF ANY SIGNIFICANT CHANGE OF CONTROL OF THE CONTRACTING PARTY
LEONARDO MW LTD	BAE SYSTEMS (WARTON)	TEAMING AGREEMENT ASSOCIATED WITH THE LTEWP BID	NO ASSIGNMENT IS PERMITTED WITHOUT THE WRITTEN CONSENT OF THE OTHER PARTY
LEONARDO MW LTD	BAE SYSTEMS	LOCALISING TYPHOON ELECTRONIC WARFARE PROGRAMMING (LTEWP)	NO ASSIGNMENT IS PERMITTED WITHOUT THE WRITTEN CONSENT OF THE OTHER PARTY
LEONARDO MW LTD	UK MoD	MODE 5 IFF (PRINCIPAL AGREEMENT)	THE CONTRACTOR SHALL INFORM THE AUTHORITY IN WRITING, AS SOON AS POSSIBLE, OF ANY SIGNIFICANT CoC OF THE CONTRACTING PARTY
LEONARDO MW LTD	UK MoD	APACHE IOS PP3	NOTIFICATION OBLIGATION OF ANY CoC TO THE UK MINISTRY OF DEFENCE, WITH RIGHT OF TERMINATION THEREOF
LEONARDO MW LTD	UK MoD	IMOS PP4	OPTION TO TERMINATE THE CONTRACT
LEONARDO MW LTD	UK MoD	TEAM TEMPEST DEVELOPMENT UAS/00105	UK MOD CONSULTS WITH THE OTHER TEMPEST PARTIES AND IF ANY CONCERNS ARE RAISED, THE UK MOD



			SHALL CONSULT WITH THE PARTY THAT IS UNDERTAKING THE CoC. SOLUTIONS TO CONCERNS TO BE NEGOTIATED AND AGREED IN GOOD FAITH.
LEONARDO MW LTD	UK MoD	WIST PP2 (AW 159 WILDCAT INTEGRATED SUPPORT AND TRAINING SERVICES)	IN CASE OF AN EXPECTED OR ACTUAL CHANGE OF CONTROL, NOTICE SHALL BE GIVEN TO THE MOD, WHICH IT WILL BE ENTITLED TO WITHDRAW FROM THE CONTRACT, GIVING NOTICE THEREOF WITHIN SIX MONTHS OF THE NOTICE
LEONARDO MW LTD	UK MoD	MLSP D&M CONTRACT (AW 101 MERLIN LIFE SUSTAINMENT PROGRAMME – DEMONSTRATION & MANUFACTURE)	IN CASE OF AN EXPECTED OR ACTUAL CoC NOTICE SHALL BE GIVEN TO THE MOD
LEONARDO MW LTD	UK MoD	WILDCAT D&M CONTRACT (AW 159 – DEMONSTRATION & MANUFACTURE)	IN CASE OF AN EXPECTED OR ACTUAL CoC NOTICE SHALL BE GIVEN TO THE MOD
LEONARDO MW LTD	UK MoD	NATO JEWCS (APSCM1/0001)	WRITTEN NOTICE TO THE AUTHORITY FOR ANY EXPECTED OR ACTUAL CoC; THE AUTHORITY'S REPRESENTATIVE SHALL GIVE WRITTEN NOTICE OF ANY POSSIBLE REMARK
TELESPAZIO SPA	DLR GFR	BY-LAWS FOR SPACEOPAL GMBH (50% TELESPAZIO SPA; 50% DLR GFR), A COMPANY OPERATING IN THE FIELD OF SATELLITE SERVICES RELATING TO THE GALILEO PROJECT	RIGHT OF THE SHAREHOLDER NOT SUBJECT TO A CoC, WITH THE PRIOR AUTHORISATION OF THE SHAREHOLDERS' MEETING, TO SELL ITS SHARES TO A THIRD PARTY OR ANOTHER SHAREHOLDER OR TO WITHDRAW IN EXCHANGE FOR A PAYMENT TO BE DETERMINED
TELESPAZIO SPA	ITALIAN SPACE AGENCY (ASI)	SHAREHOLDERS' AGREEMENT RELATING TO E-GEOS SPA (TELESPAZIO SPA 80%, ASI 20%), A COMPANY	IN CASE OF MATERIAL CHANGES IN THE SHAREHOLDER STRUCTURE OF TELESPAZIO, ASI IS ENTITLED, AT ITS OPTION:



		OPERATING IN THE EARTH OBSERVATION SATELLITE FIELD	<ul style="list-style-type: none"> • TO REPURCHASE THE PROPERTY, PLANT AND EQUIPMENT AND INTANGIBLE ASSETS CONTRIBUTED BY ASI TO E-GEOS; • TO SELL ITS SHARES TO THE SHAREHOLDERS OF E-GEOS IN PROPORTION TO THE STAKES HELD IN THE COMPANY. <p>THE CHANGE IN THE SHAREHOLDER STRUCTURE OF LDO OR THALES S.A. IS NOT CONSIDERED TO BE A MATERIAL CHANGE.</p>
LEONARDO DRS, INC. (FORMER DRS TECHNOLOGIES, INC.) AND ITS SUBSIDIARIES <i>COMPANY CONTROLLED THROUGH LEONARDO US HOLDING, INC.</i>	LEONARDO US HOLDING, INC. <i>(FORMER MECCANICA HOLDINGS USA INC.)</i>	CREDIT AGREEMENT	IN CASE OF A CoC, LEONARDO DRS IS REQUIRED TO IMMEDIATELY REPAY THE LOAN IN FAVOUR OF LEONARDO US HOLDING
LEONARDO DRS, INC.	LEONARDO US HOLDING	LOAN AGREEMENT	IN CASE OF A CoC, LEONARDO DRS INC. IS REQUIRED TO IMMEDIATELY REPAY THE LOAN IN FAVOUR OF LEONARDO US HOLDING
LEONARDO DRS, INC.	LEONARDO US HOLDING	SURPLUS TREASURY AGREEMENT	IN CASE OF A CoC, LEONARDO US HOLDING IS REQUIRED TO REPAY THE SURPLUS PAID IN BY DRS, PLUS INTEREST, WITHIN 30 DAYS. NO OTHER DOWN PAYMENT CAN BE MADE IN ACCORDANCE WITH THE AGREEMENT.

As regards public takeover bids, it should be pointed out that the Company's By-Laws do not provide for exceptions to the provisions on the passivity rule under Art. 104, paragraph 1-ter, of the Consolidated Law on Financial Intermediation, nor any provisions in the application of the neutralisation rules under Art. 104-bis, paragraph 1, of the Consolidated Law on Financial Intermediation.



I) COMPENSATION FOR DIRECTORS IN CASE OF RESIGNATION OR DISMISSAL WITHOUT JUST CAUSE OR TERMINATION OF EMPLOYMENT FOLLOWING A TAKEOVER BID (ART. 123-BIS, PARA. 1, LETT. I), TUF)

The information required by Art. 123-bis, paragraph 1, letter i), of the Consolidated Law on Financial Intermediation is contained in the Remuneration Report required by Art. 123-ter of the Consolidated Law on Financial Intermediation (cf. point 8 hereof).

L) LAWS GOVERNING THE APPOINTMENT AND REPLACEMENT OF DIRECTORS AND AMENDMENTS TO THE BY-LAWS (ART. 123-BIS, PARA. 1, LETT. L), TUF)

As regards the appointment and replacement of Directors, reference is made to paragraph 4.1. below herein.

As regards any amendments to the By-Laws, it should be noted that they shall be approved by the Shareholders' Meeting pursuant to law and By-Laws. However, under Section 24.1 of the By-Laws, the Board of Directors has the power to adapt the By-Laws to legislative provisions. Under section 22.3 of the By-Laws, any proposals to amend sections or to adopt new By-Laws are decided by the Board of Directors with the vote in favour of 7/10ths of the Directors in office.

Finally, note the Government's veto power over the adoption of amendments to the By-Laws that revoke or modify the special powers provided to the same, referred to in point D.1) above.

M) AUTHORISATION FOR SHARE CAPITAL INCREASE AND AUTHORISATION TO PURCHASE TREASURY SHARES (ART. 123-BIS, PARA. 1, LETT. M), TUF)

The Board of Directors has no authority to make capital increases under Art. 2443 of the Italian Civil Code, nor do the Directors have the power to issue equity instruments.

On 16 May 2017 the Shareholders' Meeting authorized – while revoking the previous authorisation resolved for the purchase on 28 April 2016 - the acquisition and disposition of treasury shares serving the Incentive/co-investment plans which were approved by the Shareholders' Meeting held on 11 May 2015, up to a maximum of 2,000,000 ordinary shares, for a period – as to the purchase - of eighteenth months from the date of the relevant resolution, as well as – as to the disposition of purchased shares, as well as of those already held in the portfolio – within the time limits required for the implementation of the Plans. The resolution provided that the purchase of treasury shares could be made, in appropriately gradual stages, by acquiring on the market, at a maximum and minimum unit price which corresponds to the reference price observed on the Electronic Stock Market on the day prior to purchase (more or less 5% for the maximum price and for the minimum price, respectively). Afterwards, upon approval of the new Long-Term Incentive Plan for the Leonardo Group's management, the Shareholders' Meeting held on 15 May 2018 authorized the



availability, at any time, in whole or in part and in one or more times, of the treasury shares held by the Company at that point in time to be used in compliance with the provisions of law in relation to the Incentive Plans that the Company has approved or can approve in the future according to the terms, methods and conditions set down in the relevant Information Sheets and/or Implementing Rules.

The Company held 2,976,680 treasury shares, equal to about 0.515% of the share capital, at the date of the approval of this Report.

N) DIRECTION AND COORDINATION

Leonardo is not subject to direction and coordination pursuant to Art. 2497 *et seq.* of the Italian Civil Code.

CORPORATE GOVERNANCE INFORMATION

3. COMPLIANCE (ART. 123-BIS, PARA. 2, LETT. A), TUF)

Leonardo's corporate governance model is in line with the application principles and criteria of the Corporate Governance Code, which the Company complies with. This model has been subject to subsequent amendments in order to ensure alignment on an ongoing basis and the highest level of compliance with respect to the contents of the Code in force for the time being. The recommendations given from time to time have been adopted and incorporated in the **RULES OF PROCEDURES OF THE BOARD OF DIRECTORS** (hereinafter also referred to as "Rules of Procedure"), which govern the role, organisation and functioning of the board, as well as the main organisational profiles of the Company's governance model, in accordance with the principles and recommendations referred to above.

The text of the Rules of Procedure, which has also been updated over time by the Board in line with the changes that have occurred in the Company's organisational structure, is promptly made available in the specific Corporate Governance section of the Company's website.

The text of the applicable Code can be accessed on the Corporate Governance Committee website (<https://www.borsaitaliana.it/comitato-corporate-governance/homepage/homepage.htm>).

With regard to the provisions laid down in the new edition of the Code approved by the Committee in January 2020 (Corporate Governance Code, which the issuers are required to apply from the 2021 financial year, providing the relevant disclosures in their Reports on Corporate Governance to be published during 2022), it should be noted that on 9 March 2021 the Company's Board of Directors, at the same time as the approval of this Report, adopted a new text of the aforesaid Rules of Procedure and of the Rules of the Board Committees in order to bring them in line with the specific provisions



of the new Code, while also adopting formally the related guidelines. The information provided in this Report – as it is referred to the 2020 financial year – is based on the contents of the Rules and of the Corporate Governance Code applicable in the reporting period. The new version of the Board’s Rules of Procedure and of the Committees’ Rules will be made available on the Company’s website; for a summary of the main contents of the amendments made, reference should be made to the information provided in paragraph 15 below.

Leonardo’s corporate governance model is also in line with the guidance on diversity and the matters referred to in Legislative Decree 254/2016 (non-financial disclosures) as reported and specifically set out in this Report.

Neither Leonardo nor its subsidiaries with key strategic roles are subject to non-Italian laws affecting the Company’s corporate governance structure; with regard to the activities of the Group in the USA, it is noted that some of them are subject to specific governance rules (such as the “Special Security Agreement” and the “Proxy Agreement”), which were agreed with the Defense Security Service (DSS) of the US Department of Defense and aimed at restricting the access, by the shareholder, to “classified” information.

4. BOARD OF DIRECTORS

4.1. APPOINTMENT AND REPLACEMENT (ART. 123-BIS, PARA. 1, LETT. L), TUF)

The Board of Directors is made up of **between 8 and 12 members** who are appointed by the Shareholders’ Meeting. The Shareholders establish the related number and the length of their terms in office. Directors are appointed for a term that does not exceed three financial years and may be re-elected pursuant to Art. 2383 of the Italian Civil Code. In the event that the Meeting has not taken steps to do so, the Board will appoint a Chairman from among its members. For the appointment of the Directors, the By-Laws (section 18.3) provide for the specific “**list voting**” mechanism”: the Directors are appointed by the Shareholders’ Meeting on the basis of lists submitted by the Shareholders (as well as possibly by the outgoing Board of Directors) in which the candidates are to be numbered consecutively. Lists submitted (by Shareholders or possibly by the Board of Directors) shall be filed with the registered office at least 25 days before the date of the Meeting on first call, and made public by the Company at least 21 days before the date of the Meeting, again on first call, according to the statutory procedures. The time limits and procedures for the related filing are specified by the Company in the notice of call of the Shareholders’ Meeting.

Each shareholder may submit or contribute to the submission of one list only and each candidate may stand in one list only under penalty of being ineligible for election.



Shareholders who, alone or with other Shareholders, represent at least 1% of the voting shares in the Ordinary Shareholders' Meeting will be entitled to submit lists (or such lesser number as is laid down by provisions of law or regulations, where applicable).

By Decision no. 44 of 29 January 2021 Consob confirmed the shareholding required to submit lists of candidates for the election of governing and control bodies of Leonardo to the extent of 1%, equal to the percentage required by the By-laws.

Within the time limit prescribed for the publication of the lists by the Company and in order to prove ownership of the number of shares necessary for the related submission, Shareholders must file appropriate certification, proving ownership of the number of shares represented, with the registered office.

At least two Directors must meet the independence requirements as laid down for Statutory Auditors pursuant to law. In this regard, in line with the provisions laid down in the Code, the Company expressly requires, in the notice of call, to specify, in the lists of candidates to the position of Director, their eligibility to be qualified as "independent" directors pursuant to law, as well as pursuant to Art. 3 of the applicable Code. Furthermore, all candidates must meet the honesty requirements laid down by the regulations in force.

Lists with a number of candidates equal to or over three must also include candidates of different genders, in accordance with the notice of call, in order to allow the less represented gender to sit on the Board for at least one third (or by the larger share laid down in the regulations in force regarding the balance between genders).

Together with each list, and within the time limit prescribed for the related filing, declarations by the individual candidates must also be filed, in which they accept their nominations and certify, under their own responsibility, that there are no grounds for ineligibility for election or incompatibility and that all the requirements prescribed by the regulations in force are met for their respective positions including any independence requirements as required by the By-Laws. The Directors appointed shall notify the Company without delay of any loss of the abovementioned independence requirements and honesty, as well as of the emergence of grounds for ineligibility or incompatibility.

Each party entitled to vote may vote for one list only.

The Directors shall be elected as follows:

- a) two thirds of the Directors to be elected, with fractions being rounded down to the nearest whole number, shall be drawn from the list that has obtained the majority of votes cast ("**Majority List**"), in the order in which they appear in the list;
- b) the remaining Directors will be drawn from the other lists ("**Minority Lists**"); for that purpose, the votes obtained by the lists will then be divided by one, two, three and so on, depending on the gradual number of Directors to be elected. The scores obtained shall be allocated progressively to



the candidates of each list, according to the order specified therein. The scores thus allocated to the candidates of the various lists shall be arranged in a single list in descending order. Those who have obtained the highest scores will be elected.

In the event that more than one candidate have obtained the same score, the candidate from the list which has not yet elected any Directors or which has elected the lowest number of Directors shall be elected.

In the event that none of these lists has elected a Director yet or that they have all elected the same number of Directors, the candidate will be elected whose list has obtained the highest number of votes. In the event of an equal number of list votes and still with the same score, a new vote will be held by the entire meeting and the candidate with a simple majority of votes will be elected;

b-bis) if the Majority List does not present enough candidates to reach the number of Directors to be elected pursuant to letter (a) above: (i) all the candidates listed are taken out according to their places in the List; (ii) the other candidates for positions as Directors are taken out of Minority Lists, pursuant to letter (b) above, for one-third of the total number of positions on these lists; and (iii) the number of candidates required to fill the positions not covered by the Majority List are taken out of the Minority List which has received most votes among the Minority Lists (the “First Minority List”) on the basis of the number of candidates in this List; if there are not enough candidates, the remaining candidates for positions as Directors, following the same procedure, are taken out of the next list or even of those following, according to the number of votes and the number of candidates in the Lists themselves. Finally, if the total number of candidates in the Lists that have been presented, including both Majority and Minority Lists, is lower than the number of Directors to be elected, the remaining Directors are elected by a resolution passed by the Shareholders’ Meeting pursuant to section 18.4 below;

c) if, following the application of the procedure described above, the minimum number of independent Directors required by the By-Laws has not been appointed, the share of votes to be allocated to each candidate in the various lists shall be calculated according to the system indicated in letter b) and the number of candidates necessary to ensure compliance with the provisions of the By-Laws, not yet drawn from the lists pursuant to letters a) and b), who meet the independence requirements and who have obtained the highest scores shall be elected. These shall take the place of the non-independent Directors who have been allocated the lowest scores. In the event that the number of candidates does not comply with the minimum of two independent Directors, the Shareholders' Meeting shall resolve, with the majorities provided by law, to replace the candidates who do not meet the independence requirements and who have obtained the lowest scores;

c-bis) when the application of aforementioned procedures does not enable the presence of at least one third of the members from the less represented gender (or of the larger share, if any, laid down



in the regulations in force regarding gender equality), the quotient of votes to allocate to each candidate from the lists is calculated, dividing the number of votes obtained by each list by the ranking of each candidate; the candidate from the more represented gender with the lowest quotient of the candidates from all the lists is replaced, without prejudice to the minimum number of independent Directors, by the person belonging to the less represented gender chosen (with the next highest ranking) in the same list as the replaced candidate. If candidates from different lists have obtained the same quotient, the candidate in the list from which the greatest number of Directors have been taken will be replaced or, subordinately, the candidate from the list that has obtained the lowest number of votes; or, if the votes are even, the candidate that has obtained fewest votes from the Shareholders' Meeting in a special ballot.

Section 18.4 of the By-Laws provides that for the appointment of Directors who are for whatever reason not appointed in accordance with the procedures described above, the Shareholders' Meeting shall resolve with the majorities provided by law in order to ensure the presence of the minimum number of independent Directors and the balance between genders in compliance with the law and the By-Laws.

If in the course of the mandate one or more Directors cease to hold office, measures will be taken pursuant to Art. 2386 of the Italian Civil Code. To replace the Directors who have ceased to hold office, the Shareholders' Meeting shall resolve with the majorities provided by law to appoint replacements from those on the same list as that of the Directors who have ceased to hold office, if previously unelected candidates remain on this list. The Board of Directors carries out the replacement, pursuant to Art. 2386 of the Italian Civil Code, by appointing the replacement Directors – in the first possible meeting after they heard about the ceased Directors - on the basis of the same criteria as in the previous period and in order to guarantee the presence of the minimum number of independent Directors and the balance between genders in compliance with law and the Company's By-Laws.

With particular regard to the **provisions regarding gender quotas** on corporate boards and governance bodies of listed companies, on 16 May 2019 the Shareholders' Meeting amended Leonardo's By-Laws and rendered permanent the presence of at least one third (or a larger quota, if any, as laid down by law) of the less represented gender in the composition of the Board of Directors and of the Board of Statutory Auditors. In this way Leonardo, following the recommendations of the current Code in advance of the time at which the "Golfo-Mosca" Law no. 120 of 12 July 2011 (three consecutive mandates after 12 August 2012) is to cease to be effective, strengthened the criterion of gender diversity without an imperative mandate.

Finally, it should be noted that the 2020 Budget Law (Law 160 of 27 December 2019) made amendments to the provisions of the TUF governing the composition of listed companies' corporate



bodies, introducing a new minimum quota for the less represented gender, equal to two fifths, to be applied for six consecutive mandates (as from the renewal of the corporate bodies' terms of office expiring in 2020). In taking account, as described, that Leonardo's By-Laws provide for a mechanism for the automatic adjustment to a quota of above one-third of the less represented gender, if prescribed by law, the Company has been required to bring the By-Laws in line with these provisions of regulations.

It should be noted that, among the Board of Directors' members who are currently holding office and who were appointed on 20 May 2020, the gender composition of the body complies with the regulations in force.

Succession plans

In line with the **recommendations given by the Corporate Governance Committee**, as well as provided for in the **new Code**, in order to ensure continuity in the Company's ordinary operations promptly and effectively, upon occurrence of events that could prevent the Chief Executive Officer from performing his duties during his term of office, the Board of Directors considered it appropriate, at the specific request of the Nomination, Governance and Sustainability Committee and as early as from 16 March 2016, while taking account of the governance structure of the Company, to prepare a contingency plan through the adoption of a specific **procedure for situations of crisis management**, in any event of early termination of the Executive Director's appointment and consequent vacancy.

In particular, according to this procedure, the Chairman of the Board of Directors and the Chairman of the current Nomination and Governance Committee first contact the shareholder responsible for the designation of the Chief Executive Officer's replacement. The Board, summoned without delay, after being informed of the outcome of these consultations and of the most urgent matters and issues, either resolves the appointment of the new Chief Executive Officer, who becomes the permanent replacement for the Director who has left office, or grants the Chairman or one or more Directors (in this case setting up an Executive Committee in accordance with article 25 of the Company's By-Laws) the powers necessary to ensure that business continues until the Company's normal governance resumes for day-to-day operations, assisted by the Company Executives designated by the Board of Directors. Moreover, during the 2020 financial year, the Board took steps to regulate the specific situation of temporary unavailability of the CEO within the scope of the above-mentioned procedure. Finally, in order to guarantee an adequate degree of management continuity, also with a view to better enhance the resources and ensure the highest efficiency and stability in the business operations, the Company adopted development plans designed to facilitate the internal management development and set up a process (**People Review**) for the identification of the most suitable internal profiles in



the short, medium and long term, for the **succession of first and second line managers**. The process directly involves the Heads of Divisions and Corporate Functions with the final approval of the Chief Executive Officer.

All this has also been implemented in line with the guidance of the **new Code** for large-sized companies regarding the existence of **appropriate procedures for top management succession**.

4.2. COMPOSITION (ART. 123-BIS, PARA. 2, LETT. D), TUF)

The Shareholders' Meeting of 20 May 2020 set the number of the members of the Board of Directors at 12. They will serve for the three-year period from 2020 to 2022 and, therefore, until the approval of the Financial Statements at 31 December 2022.

The **Board of Directors** in office at the 2020 year-end and currently holding office, is made up as follows:

Luciano Carta (1)	Chairman
Alessandro Profumo (1)	Chief Executive Officer
Carmine America (1)	
Pierfrancesco Barletta (1)	
Elena Comparato (1)	
Dario Frigerio (2)	
Patrizia Michela Giangualano (2)	
Paola Giannetakis (1)	
Federica Guidi (1)	
Maurizio Pinnarò (1)	
Ferruccio Resta (2)	
Marina Rubini (2)	

(1) Director appointed from the **list submitted by the shareholder Ministry of Economy and Finance**, holding about 30.204% of the share capital, who during the vote obtained the **majority of the votes** (about 57.07% of the share capital represented in the Shareholders' Meeting).

(2) Director appointed from the **list submitted by a group of asset management companies and institutional investors**, holding about 1.350% of the share capital, who during the vote obtained the **minority of the votes** (about 42.59% of the share capital represented in the Shareholders' Meeting).

The Tables in Appendix show the synthetic structure of the Board of Directors, specifying the Directors serving as at the date of approval of this Report and the Board members who ceased to hold this office during the 2020 financial year, as well as the respective details in terms of



independence (in accordance with the Consolidated Law on Financial Intermediation and the applicable Corporate Governance Code), membership in Committees and length of service.

Curricula of the Directors

A brief curriculum of each member of the present Board of Directors follows, stating their age and seniority in the position.

LUCIANO CARTA

CHAIRMAN

*Non-executive- Non-Independent*¹ - In office since May 2020

Belonging list: majority (Ministry of Economy and Finance)

Luciano Carta has been Chairman of Leonardo S.p.a. since 20 May 2020. He was born in Carbonia on 31 January 1957.

From 1975 to 1979 he attended the Academy of the Finance Policy (*Guardia di Finanza*), after which he obtained a first level degree in Economic and Financial Security Sciences. He also graduated in Law and Political Sciences, and obtained a second-level Master's degree in "Company Tax Law" and another second-level Master's degree in "International Security Advanced Studies". In the academic year 2008-2009, he attended the 60th session of the IASD Course at the Institute for Higher Defence Studies, obtaining the relative diploma. He serves as a Statutory Auditor (formerly as an independent auditor since 1995).

In July 2002 he was appointed Commander of the Provincial Command in Livorno, and in 2005 Commander of the Emilia Romagna Regional Command in Bologna. He was then promoted to "*Generale di Divisione*", in charge of the Economic Protection Command. He was appointed Commander of the Tax Police School of Ostia and subsequently Chief of Staff of the General Command of the Finance Policy. From 1st July 2014, with the rank of "*Generale di Corpo d'Armata*", he assumed the Interregional Command for North-Western Italy in Milan, and the following year the command of the Special Departments in Rome. In June 2016 he was appointed Inspector for Institutes of Education.

Since 12 January 2017, he has been Deputy Director of the External Information and Security Agency (AISE). On 21 November 2018, the President of the Council of Ministers appointed him Director of the same Agency.

He is a member of the Governing Council and of the Board of Assonime (the Italian association of joint stock companies), a member of the Board of Directors of Istituto della Enciclopedia Italiana

¹ *Independent pursuant to law; non-independent in accordance with the 2018 Corporate Governance Code, as "a prominent representative" of the Company.*



Treccani S.p.A., a member of the General Meeting and of the Board of Consiusa (Council for the United States and Italy), and a member of the Board of Directors of ISPI (the Italian Institute for International Political Studies). He is also the Honorary President of Fondazione Leonardo - Civiltà delle Macchine.

He is the author of several publications on tax matters and has held teaching positions at the University of L'Aquila, the Luiss School of Management, the School of Tax Police and the Corps Academy. He was consultant to the Anti-Mafia Parliamentary Commission in the 14th Legislature. He has been awarded the following honours: Gold Cross for seniority of service (2000); Silver Medal of Merit of the Italian Red Cross; Military Gold Medal of Long Command (2002); Mauritian Medal (2005); Knight Grand Cross of the Order of Merit of the Italian Republic (2018); Cross of Grand Officer with Swords of Merit of the Sovereign Order of Malta (2018); and first class Diploma of Merit and the related Gold Medal of Merit of the Environment.

ALESSANDRO PROFUMO

CHIEF EXECUTIVE OFFICER

Executive – Non-Independent - In office since 2017

Belonging list: majority (Ministry of Economy and Finance)

Alessandro Profumo is Chief Executive Officer of Leonardo S.p.a. since 16 May 2017.

He is also: Honorary Chairman of AIAD (Italian Industries Federation for Aerospace, Defence and Security) since July 2017; member of IIT Foundation's Council (Italian Institute of Technology) and member of COMI (Italian Committee of Market Operators and Investors) within CONSOB (Italian Companies and Stock Exchange Commission) since February 2019; member of the European Round Table for Industrialists (ERT) since mid-2019; member of the Scientific Committee of the Banca Impresa 2030 Observatory since November 2019; member of the Corporate Governance Committee (set up by ABI, ANIA, Assogestioni, Assonime, Borsa Italiana and Confindustria) since December 2019; President of the AeroSpace and Defence Industries Association of Europe (ASD) since September 2020; Italian President of the Italy-Japan Business Group since October 2020.

Born in Genoa, Italy on 17 February 1957, he graduated *cum laude* in Business Economics at the Luigi Bocconi University.

In 1977, he began his career at Banco Lariano, where he worked for ten years. In 1987, he joined McKinsey & Company, where he was in charge of strategic and organisational projects for financial companies. In 1989, at Bain, Cuneo & Associati, he was in charge of developing relations with financial institutions. In 1991, he left the company consultancy sector to join RAS – Riunione Adriatica di Sicurtà, where he was responsible, as General Manager, for the banking and parabanking sectors. He was also in charge of the yield increase of that company's bank and of the other group



companies operating in the field of asset management. In 1994, he joined Credito Italiano (today UniCredit), where he was appointed Joint Chief Officer and put in charge of Planning & Group Control. One year later, he was appointed General Manager and, in 1997, he was appointed Chief Executive Officer of the UniCredit Group, a position that he maintained until September 2010. Under his leadership, the UniCredit Group became a European leading player, growing from 15,000 to over 162,000 employees, with branches in 23 countries. In February 2012, he was appointed by the European Commissioner for Internal Market and Services member of a group of European experts, the High-Level Expert Group, to reform the structure of the European Union banking sector. From April 2012 to August 2015, he served as Chairman of Monte dei Paschi di Siena Bank. From September 2015 to May 2017, he was a Board Member and Chairman of Equita SIM. Furthermore, at international level, Profumo was Chairman of the European Banking Federation in Brussels and of the International Monetary Conference in Washington, D.C. He was also on the International Advisory Board of Itaú Unibanco (Brazil) and was a member of Sberbank's Supervisory Board (Russia). He was a member of Eni's Board of Directors from 2011 to 2014. In July 2015 he was again co-opted to the Eni's Board of Directors, until April 2017 after the annual shareholders' meeting. He was also a member of Mediobanca's Board of Directors and Executive Committee and a member of the Board of Directors at the Luigi Bocconi University. Profumo was awarded *Cavaliere al Merito del Lavoro* (Knight of the Order of Labour Merit) in 2004 and *Grande Ufficiale Ordine al Merito della Repubblica Italiana* (Grand Officer Order of Merit of the Italian Republic) in 2005. He serves on the Board of Directors of the Together To Go (TOG) Foundation.

CARMINE AMERICA

DIRECTOR

Non-executive - Independent - In office since May 2020

Belonging list: majority (Ministry of Economy and Finance)

Committees:

- Nomination and Governance
- Sustainability and Innovation

Born in Avellino on 18 January 1985. Appointed Director of Leonardo by the Shareholders' Meeting of 20 May 2020.

He graduated in Law from the University of Urbino, he obtained a Master's Degree in Economic Security, Geopolitics and Intelligence (SIOI Rome), as well as completed an Executive Course in "Unpacking the Defense Enterprise" at the Center for Strategic and International Studies (CSIS) and



a Specialization course in Travel Risk and Crisis Management (School of Ethics and Security Milan), and carried out an Advanced Training Course in Security and Safety Management (Catholic University Milan). He has held the position of Advisor to the Minister of Foreign Affairs for International Security and Defence issues and, at the same Ministry, he was a member of the Advisory Committee for the authorisation of the export of goods and services for dual use and a member of the Interministerial Committee for the attraction of foreign investments in Italy.

Previously, he held the position of Advisor for International Relations of the Minister of Economic Development, Labour and Social Policies (“MiSE”), as an Expert in the Cabinet Office. At MiSE, he was appointed member of the Committee for the Development of the Aeronautical Industry and held the role of Representative in the Coordination Structure of the Interministerial Committee for Space and Aerospace Research Policies (2018-2019).

He served as Security Manager at MBDA (2015-2017) and was a researcher in international affairs in Washington DC for Formiche magazine (2015).

He published studies on economic intelligence and industrial competition and on social media intelligence at the institutional website of the Information System for the Security of the Republic. He is a member of the Councilors Program of the Atlantic Council of Washington DC.

PIERFRANCESCO BARLETTA

DIRECTOR

Non-executive - Independent - In office since May 2020

Belonging list: majority (Ministry of Economy and Finance)

Committees:

- Control and Risks
- Nomination and Governance

Born in Naples on 16 May 1973. Appointed Director of Leonardo by the Shareholders' Meeting of 20 May 2020.

He graduated in Law and obtained a Master's degree in Human Resources Management from the Cattolica University of Milan.

He is Partner and Director of Institutional Relations and Corporate Development at Be SpA. He is Chief Executive Officer of Jaba Communication. He is a member of the Board of Directors of the following companies: Società Esercizi Aeroportuali SEA SpA (where he is also a member of the Control, Risk and Sustainability Committee), Istituto per il Credito Sportivo, Juniper (IT services), Principe di Piemonte SpA. He is a member of the Supervisory Board of Akros Bank.



He is founder and member of the Directive Board of the Association for Milan which aims at supporting the City Administration and Caritas Ambrosiana in a three-year programme to support the weaker sections of the population in particular on issues of social exclusion and disability. He has held the positions of Chairman of the Board of Directors of Milanospo SpA (management of sports facilities in Milan), a company controlled by the City of Milan from 2011 to 2018, Chief Executive Officer of M I Stadio Srl (a company in which FC Internazionale Milano S.p.A. and Ac Milan S.p.A. held an interest in the management of the Meazza Stadium in Milan from 2009 to 2014), member of Board of Directors and Commercial Director of M I Stadio (formerly Consorzio San Siro). He was Chief Operating Officer of FC Internazionale Milano S.p.A. from 2006 to 2014.

ELENA COMPARATO

DIRECTOR

Non-executive – Non-Independent - In office since May 2020

Belonging list: majority (Ministry of Economy and Finance)

Committees:

- Nomination and Governance
- Remuneration

Born in Rome on 22 September 1968. Appointed Director of Leonardo by the Shareholders' Meeting of 20 May 2020.

Mrs. Comparato has carried out her managerial career, which began in 2000, within the Ministry of Economy and Finance - Department of Treasury. She has mainly dealt with the drafting of legislative texts, both at primary and secondary level, including participation in the phase of the drafting of European Union legislation. In particular, she has dealt with regulations on the discipline of listed companies and corporate governance, banking regulations, including those relating to banking crises. Since March 2020 she has been in charge of the newly established Legal Affairs Department of the Treasury Department.

DARIO FRIGERIO

DIRECTOR

Non-executive - Independent - In office since July 2013

Belonging list: minority (a group of asset management companies and institutional investors)

Committees:

- Control and Risks (Chairman)
- Nomination and Governance



Born in Monza on 24 June 1962. Appointed Director of Leonardo at the Shareholders' Meeting of 4 July 2013, his mandate was renewed by the Shareholders' Meetings of 15 May 2014, 16 May 2017 and 20 May 2020. He has a degree in Political Economy from the Bocconi University in Milan. He started his professional career in 1991 at Credito Italiano Bank as financial analyst where he dealt with the Bank's own investment portfolio and the asset liability management. In 1996 he was appointed Investment Manager in Milan and Dublin by the Unicredit Group. In 2001 he was appointed Chief Executive Officer of Pioneer Investment (Unicredit Group). After a new reorganisation of the Unicredit Group, in 2004 Mr Frigerio became in charge of the Private Banking unit and was appointed Deputy General Manager of the UniCredit Group, assuming also the role of Chief Executive Officer of Unicredit Private Banking. He was also appointed member of the Executive Committee of the Unicredit Group. Following the acquisition in 2006 of the German HVB Group and the Austrian Bank Austria Group and in 2007 of Capitalia, he took on the responsibility for the Group's Wealth Management business at international level. He also held the chairmanship and vice-chairmanship of various banks and asset management companies in Italy and abroad (such as Pioneer Global, Pioneer Sgr, Activest Germany, Fineco, Xelion and Dat).

He was a member of the Supervisory Body of HVB in Germany and Bank Austria in Austria. From 2010 to 2011 he was Senior Advisor of Citigroup in the asset management segment for Europe, Middle East and Africa. From November 2011 to February 2013 he was Chief Executive Officer of Prelios SGR.

At present, he is deputy chairman of Fondazione Fiera Milano and Independent Director of listed and unlisted companies, Senior Advisor to foundations and financial companies operating in the asset management and private equity segment and a partner of various business enterprises.

PATRIZIA MICHELA GIANGUALANO

DIRECTOR

Non-executive - Independent - In office since May 2020

Belonging list: minority (a group of asset management companies and institutional investors)

Committees:

- Remuneration (Chairman)
- Sustainability and Innovation

Born in Milan on 17 October 1959. Appointed Director of Leonardo by the Shareholders' Meeting of 20 May 2020. She graduated in Economics and Business with a specialization in Corporate Finance and a Master in Tax Law from Bocconi University in Milan.



She is currently a member of the Board of Directors and the Control and Risk Committee of the Mondadori Group, Epta, SEA Aeroporti and ASTM. She is a member of the directive Board of Nedcommunity (Reflection Group activity coordinator).

She provides consulting services to leading companies on issues of governance, integrated controls system, compliance, 231 regulations in support of the Supervisory Board, and assists medium-sized companies in assessing their degree of sustainability, preparing certifications and reports (non-financial statements) and corporate transformation. She is a member of the Scientific Committee of the Sole24Ore Business School for master's degree courses: Board Members and Auditors of public and private companies and corporate sustainability management (strategy, governance, risk management and ESG performance). She teaches at universities, associations and masters in the relevant activities. Other professional experiences include the following: Director of UBI Banca with positions on the internal control, risk and remuneration committees (2016-2019), PwC Associate Partner (2007-2016), Capgemini Deputy Chairman Head of Banking Area (2005-2007), A.T. Kearney Principal (2000-2005), Ernst & Young Senior Manager (1998-2000), IBM and network Marketing Manager and Head of Business Unit (1986-1998), Montedison Business Analyst (1984-1985).

She is co-author of Sustainability in search of enterprises (Egea 2019).

PAOLA GIANNETAKIS

DIRECTOR

Non-executive - Independent - In office since May 2020

Belonging list: majority (Ministry of Economy and Finance)

Committees:

- Control and Risks
- Sustainability and Innovation

Born in Perugia on 26 November 1972. Appointed Director of Leonardo by the Shareholders' Meeting of 20 May 2020. She has a degree in Psychological Sciences and Techniques of Clinical Intervention from the University of Urbino, a Bachelor of Arts in Criminology and Criminal Justice from the University of Massachusetts, a Master of Science in Forensic Psychology from the University of North Dakota.

She is Professor at Link Campus University where she also holds the position of Director of the Research Department, Rector's Delegate and Director of the Master in Cybersecurity. She carries out consulting and research activities in addition to being a professor of analysis and intelligence matters for Italian governmental bodies.



FEDERICA GUIDI**DIRECTOR**

Non-executive - Independent - In office since May 2020

Belonging list: majority (Ministry of Economy and Finance)

Committees:

- Nomination and Governance
- Remuneration

Born in Modena on 19 May 1969. Appointed Director of Leonardo by the Shareholders' Meeting of 20 May 2020. She graduated in Law from the University of Modena. She holds a Master's degree in Business Administration from Profingest in Bologna.

She was Minister of Economic Development from February 2014 to March 2016 and Vice President Confindustria Roma (2008-2011).

She currently holds the following positions: Executive Deputy Chairman of Ducati Energia Spa, Director of GMG Group, Executive Deputy Chairman of Ducati Research Centre, Director of Ducati Komponenti, Director of Ducati Energia (India), Director of TELEFIN Spa, Chairman of ANIE Energia Association.

Other professional experiences include the following: Chairman of Giovani Imprenditori Confindustria (2008-2011), Vice Chairman of Giovani Industriali Confindustria (2005-2008), Chairman of Giovani Industriali della Federazione Emilia Romagna (2002-2005), Vice Chairman of Federazione Emilia Romagna (2002-2005), Financial Analyst at Rolo Finance.

MAURIZIO PINNARÒ**DIRECTOR**

Non-executive - Independent - In office since May 2020

Belonging list: majority (Ministry of Economy and Finance)

Committees:

- Nomination and Governance (Chairman)
- Control and Risks

Born in Catanzaro on 3 February 1951. Appointed Director of Leonardo by the Shareholders' Meeting of 20 May 2020. Graduated with honors in Law from the University of Rome "La Sapienza", he is a lawyer and founder partner of BDL Law Firm.

He holds the chair of Commercial Law at the University of Perugia and is Head of the Antitrust Section of the Master in Business Law at the LUISS University of Rome.



He has served as an expert in Commercial Law at MIBACT and has participated in the formation of the regulations for the implementation of Law no. 4/1993 (Ronchey Law) and is a member of the consulting group provided for by the relevant Regulations.

He chaired the special Commission for Telecommunications at the PT Ministry drafting conventions and reports for the GSM mobile radio service concession (1994).

He was Consultant to the "Parliamentary Inquiry Commission on the Banking and Financial System" (2017-2018).

He was Chairman of the Supervisory Bodies pursuant to Legislative Decree no. 231/2001 of Amissima Holding S.r.l., Amissima Vita S.p.A. and Amissima Assicurazioni S.p.A. and member of the Supervisory Body of Leonardo Global Solutions S.p.A. He was a director of InvestiRE SGR S.p.A. and is currently a board member of Ferrarelle S.p.A.

FERRUCCIO RESTA

DIRECTOR

Non-executive - Independent - In office since May 2020

Belonging list: minority (a group of asset management companies and institutional investors)

Committees:

- Sustainability and Innovation (Chairman)
- Remuneration

Born in Bergamo on 29 August 1968. Appointed Director of Leonardo by the Shareholders' Meeting of 20 May 2020.

He graduated in Mechanical Engineering from the Milan Polytechnic, where he obtained a PhD in Applied Mechanics in 1996, became a tenured researcher in 1999, followed by Associate Professor in 2001 and Full Professor of Applied Mechanics in 2004. At the same University he was for over ten years Director of the Department of Mechanics (2007-2016) and Delegate of the Rector for the Enhancement of Research and Technology Transfer (2011-2016), a strategic area in relations with companies. In 2017 he was appointed Rector of the Politecnico di Milano, the first technical university in Italy and one of the best twenty in Europe in the three fields of study and research: architecture, design and engineering. He was first elected Secretary General of CRUI - Conference of Rectors of Italian Universities, an association that brings together recognised state and non-state universities, one year later, in 2020, he was then appointed President.

He is currently a member of the Board of Directors of Allianz SpA, the Veneranda Fabbrica del Duomo and the Silvio Tronchetti Provera Foundation. He is a member of the Advisory Board of NextChem-Tecnimont, the Board of Directors of SIAM (Società d'incoraggiamento Arti e Mestieri)



and the Committee of Guarantors of the Fondazione Collegio delle Università Milanesi. He is also an expert member of the Technical Mission Structure at the Ministry of Infrastructure and Transport. As part of his research activities, he holds 7 international patents and is the author of over 240 scientific publications. In the two-year period 2018-2019, he was President of Idea League, the alliance of five leading European universities in the technological and scientific fields (ETH - Zurich, TU - Delft, RWTH Aachen, Chalmers University, Politecnico di Milano). Among the various awards conferred on him, he received the honour of *Commendatore* of the Italian Republic.

MARINA RUBINI

DIRECTOR

Non-executive - Independent - In office since May 2014

Belonging list: minority (a group of asset management companies and institutional investors)

Committees:

- Control and Risks
- Remuneration

Born in Verona on 16 April 1969. Appointed Director of Leonardo by the Shareholders' Meeting of 15 May 2014, her mandate was renewed by the Shareholders' Meeting of 16 May 2017 and 20 May 2020.

She is a lawyer who graduated in Law at the “Sacro Cuore” Catholic University of Milan and obtained a postgraduate law degree (master of Laws) with honours at the Northwestern University School of Law in Chicago (USA). She improved her professional experience collaborating with important law firms in Italy and abroad, such as: Bonelli Erede in Brussels and Gianni & Origoni in Rome. Afterwards, she started working for the Company and held increasingly important positions: Manager responsible for the Corporate Area within the Department of Legal Affairs of Tamoil Italia S.p.A.; Manager responsible for the Corporate, Compliance, Antitrust and Commercial Contracts areas within the Department of Legal and Corporate Affairs of Bayer S.p.A.; Head of Legal & Compliance Italy and Southern Europe Cluster of Novartis Vaccines and Diagnostics S.r.l..

Currently, she is the Legal Director Central Europe and Italy of Coca-Cola Italia S.r.l.. She has been a member of the Board of Directors of Banca Monte dei Paschi di Siena S.p.A. and a member of the Surveillance Bodies of major companies. She is a current member of the Boards of Directors of Banca Nazionale del Lavoro S.p.A. and of Retelit S.p.A.. Her curriculum was included in the database excellent curricula) of the Bellisario Foundation which comprises the best curricula of women with excellent professional profiles.



Directors' Overboarding

The Directors of Leonardo accept their appointments and remain in office because they believe that they can dedicate the necessary time to the diligent performance of their duties, taking into consideration the commitment connected to their working and professional activities, as well as the overall number of the positions that they hold in the governing and control bodies of other companies and of the related commitment, also in the light of their participation in the Committees of the Board. In this respect, in accordance with the Corporate Governance Code, the Board of Directors has considered that the indication of a number that is not higher than **three positions in companies listed on regulated markets, including foreign markets, financial companies, banks, insurance companies or large companies**, is compatible with an effective performance of the office as Director of the Company, as well as functional to guarantee an adequate commitment to performing the duties connected with the office; it did so in its Rules of Procedure (article 1), while adopting the **guidance on the maximum number of offices as Director or Statutory Auditor**, which was expressed by the previously serving board members during the 2020 financial year within the scope of Guidelines issued to shareholders about the size and composition of the new governing body for the subsequent term of office.

The positions that are possibly held by Leonardo's Directors in companies that are either directly or indirectly controlled, or invested in, by the Company should not count for the purposes of the calculation of the abovementioned limit on the number of directorships.

Each year, the Board reviews and reports on the abovementioned positions in this Report on the basis of the information received from the Directors themselves.

The present composition of the Board is coherent with the aforementioned limits. The positions held by the current Board of Directors in companies not belonging to the Leonardo Group are shown below.

- **Pierfrancesco Barletta**
 Director of Società per azioni Esercizi Aeroportuali S.E.A.
 Director of Istituto per il Credito Sportivo
- **Elena Comparato**
 Director of SACE S.p.A.
- **Dario Frigerio**
 Director of Atlantia S.p.A.
 Director of Dea Capital S.p.A.
 Director of Quaestio Holding S.A.



- **Patrizia Michela Giangualano**
Director of Arnoldo Mondadori S.p.A.
Director of ASTM S.p.A.
Director of Società per azioni Esercizi Aeroportuali S.E.A.
- **Federica Guidi**
Vice Executive Chairman of Ducati Energia S.p.A
- **Maurizio Pinnarò**
Director of Ferrarelle S.p.A.
- **Ferruccio Resta**
Director of Allianz S.p.A.
- **Marina Rubini**
Director of BNL S.p.A.
Director of Reti Telematiche Italiane S.p.A.

As provided for by the present Board Rules of Procedure, further observations regarding the maximum number of positions held may be made by the Board of Directors on the basis of any recommendations put forth by the Nomination and Governance Committee.

It should be noted that the Shareholders' Meeting has not given general prior permission for any exceptions to the non-competition provision under Art. 2390 of the Italian Civil Code.

In this regard, in accepting his/her position each Director has stated that he/she does not perform any activity in competition with Leonardo, undertaking to inform the Board promptly of any changes to the contents of the statement that he/she made at the time of his/her appointment.

4.3. ROLE OF THE BOARD OF DIRECTORS (ART. 123-BIS, PARA. 2, LETT. D) TUF)

The Board of Directors plays a pivotal role in Leonardo's governance and is vested with the fullest powers for the management of the Company, with the authority to perform any act it considers appropriate for achieving the Company's business purpose, except for the acts reserved to the Shareholders' Meeting by law or the By-Laws. This Board is vested with the strategic management of the Company according to a business model which combines financial success with value generation in the long term for the shareholders, the business itself and the stakeholders.

The Board is entitled, as required by section 24.1 of the By-Laws, to resolve on:

- a) the merger and demerger in the cases envisaged by law;
- b) the establishment or closure of sub-offices;
- c) capital decreases in the case of withdrawal of one or more shareholders;



- d) bringing the By-Laws in line with regulatory provisions;
- e) the transfer of the registered office in the national territory.

Without prejudice to the issues that cannot be delegated pursuant to law (article 2381 of the Italian Civil Code) and the By-Laws (section 22.3), the Board reserved the following issues for its exclusive competence:

1. setting corporate strategy and organisation guidelines (including plans, programmes and budgets);
2. key strategic agreements, going beyond normal operations, with Italian or foreign operators in the sector or other companies or groups;
3. the incorporation of directly-owned joint-stock companies except for companies whose incorporation results from participating in tenders, or stock exchange listing; capital increases, transformation, mergers, demergers, winding up or the execution of shareholders' agreements with regard to directly-owned joint-stock companies that have a shareholders' equity of not less than €mil. 200 on the basis of the last approved financial statements;
4. designation, on proposal of the Chief Executive Officer, of new Directors with powers, or of Directors, Statutory Auditors or Independent Auditors in directly-owned joint-stock companies that have a shareholders' equity of not less than €mil. 200 on the basis of the last approved financial statements;
5. the purchase, exchange or sale of real estate and leases with a duration of more than nine years;
6. medium- and long-term credit and debt financial transactions for amounts in excess of €mil. 50 per transaction, except for those urgent cases for which the Chief Executive Officer shall be authorised to exceed the above limit reporting such case to the Board of Directors;
7. issuance of guarantees for amounts in excess of €mil. 50 per transaction;
8. the engagement, appointment and dismissal of executives or of the Head of the Group Internal Audit are reserved by the law and the By-Laws to the Board of Directors, subject to the proposal of the Chief Executive Officer; the Board is also entitled to assign consulting engagements on a continuous basis for a duration of more than a year involving expenditure in excess of € 250,000;
9. the acquisition of equity investments, also by exercising option rights, except for transfers of intergroup equity investments, including when the Company is the transferring party, without prejudice to paragraph 14 below;
10. transfers, contributions, leases and usufruct and all other acts of disposal, including those carried out in the framework of joint ventures or as a result of compliance with corporate restrictions or business segments thereof;



11. transfers, contributions, licences and all other acts of disposal, including those carried out within the framework of joint ventures or as a result of compliance with technology, production process, know-how, patent, industrial project and all other intellectual property restrictions connected with work related to defence;
12. moving research and development work related to defence outside Italy;
13. transfer of equity investments in companies, also by means of the exercise or the waiver of option rights, contributions, usufruct, pledges and all other acts of disposal, including those carried out within the framework of joint ventures or as a result of compliance with restrictions arising from the investments themselves;
14. vote in the shareholders' meetings of subsidiaries, associates or companies in which an equity investment is held (the notions of control and association are meant as understood by Art. 2359 of the Italian Civil Code) that conduct business related to defence with regard to the subject matter referred to in the preceding points 10), 11), 12) and 13).

Resolutions on matters for which the Board of Directors is solely responsible under the By-laws (Section 22.3) are valid if they are adopted by the favourable vote of seven-tenths of the serving Directors (rounded off to the next lowest whole number if this ratio results in fraction).

Meetings

The Board of Directors regularly meets and works so as to guarantee the effective fulfilment of its duties. The Board's meeting is convened by the Chairman, by a notice specifying the issues on the agenda to be discussed and resolved, within the annual planning of the board's meetings or in any case whenever the same deems it necessary or it is so requested, in writing, by the majority of its members or by the Board of Statutory Auditors.

The individual Directors may ask the Chairman to insert issues on the agenda. Where the Chairman deems it appropriate not to grant the request, he/she shall promptly inform the Director concerned.

The notice of call is usually served on each member of the Board and of the Board of Statutory Auditors at least three days before that set for the meeting pursuant to section 20.2 of the By-Laws, as well as according to procedures that are suitable to ensure confidentiality and timeliness of the call and that allow to verify that the notice has been received; in cases of urgency, at the discretion of the Chairman, the notice will be sent as promptly as possible, according to the specific circumstances.

As required by the By-Laws, the Board's meetings may be also attended by video-conference or if necessary by tele-conference, provided that a prior notice thereof is given to the Secretary to the Board, that all the participants may be identified and that the same are able to follow the discussion and at the same time to take part in the discussion of the issues, as well as to peruse, in real time,



such documentation as may be distributed in the course of the meeting. At the request of one or more Directors, the Chairman may invite executives from the Company or from Group companies to participate in the individual meeting as well as any other persons or external consultants, whose presence is deemed useful in relation to the issues on the agenda. In any case, these persons will be required to comply with the same confidentiality obligations as those laid down for Directors and Statutory Auditors.

As regards **effective attendance at Board of Directors meetings on the part of executives**, meetings were also attended, during the 2020 financial year, by Heads of Leonardo's first level organisational units ("o.u."), providing their **contribution through the detailed information required** in order to throw full light on the items on the agenda which fall within their spheres of responsibility, **as specifically and positively noted during the Board evaluation** as to the support provided by the various Managers responsible of the corporate organisational units to the proceedings of the Board and of its Committees.

For more details regarding the circulation of information before and at Board meetings, reference should be made to paragraph 4.4 below.

The operational practice that has been followed by the Company for some time ensures that Board meetings are held regularly, at least once a month. The annual calendar of the meetings of the Board, relating to corporate events provided for in the Stock Exchange rules, is generally communicated by the Company in the month of December of the related previous financial year.

In the course of the 2020 financial year, the Board met no. 12 times for an average of about 2 hours and ten minutes. During this year, at 9 March 2021 no. 3 board's meetings had already been held (compared to the scheduled 10 meetings) including that was held at the same date. Below are the Directors' attendance records for the meetings that took place during 2020.

	Attendance
Luciano Carta (1) Chairman	no. 7/7 meetings
Alessandro Profumo Chief Executive Officer	no. 12/12 meetings
Carmine America (1)	no. 7/7 meetings
Pierfrancesco Barletta (1)	no. 7/7 meetings
Elena Comparato (1)	no. 7/7 meetings
Dario Frigerio	no. 12/12 meetings
Patrizia Michela Giangualano (1)	no. 7/7 meetings
Paola Giannetakis (1)	no. 7/7 meetings
Federica Guidi (1)	no. 6/7 meetings
Maurizio Pinnarò (1)	no. 7/7 meetings
Ferruccio Resta (1)	no. 7/7 meetings
Marina Rubini	no. 12/12 meetings

(1) In office from 20 May 2020

All absences were excused.

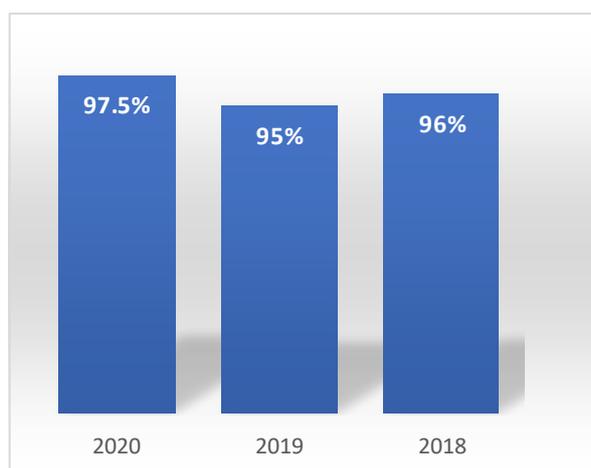


DIRECTORS LEAVING OFFICE

Giovanni De Gennaro Chairman (2)	no. 5/5	meetings
Guido Alpa (2)	no. 4/5	meetings
Luca Bader (2)	no. 5/5	meetings
Marina Elvira Calderone (2)	no. 5/5	meetings
Paolo Cantarella (2)	no. 5/5	meetings
Marta Dassù (2)	no. 4/5	meetings
Fabrizio Landi (2)	no. 5/5	meetings
Silvia Merlo (2)	no. 5/5	meetings
Antonino Turicchi (2)	no. 5/5	meetings

(2) In office until 20 May 2020

B.o.D. - Average attendance at the meetings



As envisaged in their own Rules of procedures, the Board of Directors:

- a) examines and approves the Company's strategic, industrial and financial plans and those of the Group that it leads, monitoring its implementation periodically; defines its corporate governance system and the Group structure;
- b) defines the nature and level of risk associated with the strategic objectives of the Company, including in its evaluations all those risks that may be relevant to the medium- and long-term sustainability of the issuer's activity;
- c) evaluates, including in accordance with Art. 2086 of the Italian Civil Code, the adequacy of the general organisational, administrative and accounting structure of the Company as well as of its key subsidiaries, paying particular attention to the internal audit system and of the system for risk managing;



- d) grants and revokes powers delegated to Directors, except for those reserved solely to the Board, establishing the limitations on and manner of exercising these powers and determining the frequency with which the delegated bodies must report to the Board on the actions that have been taken pursuant to the delegation, provided that this will be made at least on a quarterly basis pursuant to section 24.2, last paragraph, of the By-Laws;
- e) defines the Company's policy governing the fees due to Directors and Managers with strategic responsibilities, in accordance with the regulations in force and with the Code;
- f) decides, upon proposal of the Remuneration Committee, the remuneration and conditions of service of the Directors provided with delegated powers and those of the other Directors holding special positions (in consultation with the Board of Statutory Auditors and in accordance with Art. 2389 (3) of the Italian Civil Code);
- g) assesses general performance, particularly taking into account the information received from the delegated bodies, and periodically comparing the results attained with those envisaged;
- h) resolves as to the transactions that are reserved for the same by the law and the By-Laws, as well as to any additional transactions of the Company and subsidiaries, when they are of significant strategic or financial importance or if they are materially important in terms of the Company's assets and financial position, which the Board reserves for itself on the occasion of the granting of delegated powers;
- i) at least once a year, appraises the functioning of the Board itself and of its Committees;
- j) in order to ensure the correct management of corporate information, adopts, as proposed by the Chief Executive Officer, a procedure for the internal management and external communication of documents and information concerning the Company, with specific regard to the treatment of inside information;
- k) provides information, in the Report on Corporate Governance, on the procedures for the performance of its duties.

Subject to the opinion of the Control and Risks Committee and following the periodical identification of the main corporate risks supervised by the Director in charge of the internal control and risk management system (hereinafter also "ICRMS"), the Board of Directors provided – and finally updated at the meeting of 9 March 2021 – the "Guidelines for the internal control and risk management system", so that the main risks involving the Company and its subsidiaries are correctly identified and adequately assessed, managed and monitored, also defining the degree of compatibility of these risks with the management of the enterprise that is consistent with the defined strategic objectives.

As regards specific activities and assessments carried out by the Board, for which reference should be made to paragraph 10 below, it should be noted that in the meeting held on 9 March 2021 the



Board of Directors found the organisational, administrative and accounting structure of the Company and of its key subsidiaries adequate, efficient and actually functioning, with specific regard to the internal control and risk management system (“SCIGR”) on the basis of the opinion given by the Control and Risks Committee.

The Board has identified as strategic subsidiaries those which are directly controlled, based on the criteria established by the Board of Directors when delegated powers were assigned to the CEO and powers of the Board itself were defined; moreover, strategic subsidiaries encompass other controlled entities, also indirect subsidiaries, selected based on the company’s size and importance of the business.

In assessing general management performance, the Board periodically compared the results attained with those envisaged in the Budget approved by it and any subsequent changes.

With regard to the criteria for the identification of the transactions of significant importance, it should be noted that these transactions coincide with those that are already reserved for the Board pursuant to the By-Laws or on the occasion of the resolutions granting delegated powers.

Board evaluation

As provided for in its own Rules and in the Corporate Governance Code, the Board of Directors of Leonardo carries out, on an annual basis, an evaluation of the functioning of the Board itself and of its Committees, as well as of its related size and composition, also taking account of the professional skills, expertise – both in management and internationally –, gender and seniority of its members.

Taking account of the outcome of such evaluation, also on the basis of the recommendation or opinions provided by the Nomination and Governance Committee, before the renewal of its term of office **the Board expresses its Guidance to the shareholders concerning the line that it intends to take as regards the managers and other professionals whose presence it deemed advisable and therefore on its optimal composition, in compliance with the recommendations of the Corporate Governance Committee and the guidelines laid down in the new Code.**

With regard to the composition of the new Board, in view of the renewal of the governing body on the part of the 2020 Shareholders’ Meeting, the Board’s guidelines took account of the abovementioned profiles and skills, as are required from the new Directors. As largely described in paragraph 12 of this Report, **the Guidelines were unveiled to the shareholders well in advance (by publication on the website on 2 March 2020)** than the publication of the notice of call of the Shareholders’ Meeting convened to resolve on the renewal of the Board.

The above procedure follows the recommendations in the Code whose aim is to make the outgoing Board members aware of their responsibility for a satisfactory composition of the next board. In further compliance with the instructions of the **new Code**, in its Guidance, the Leonardo Board



quoted the recommendation to those presenting lists for the new governing body: “*explain how the guidance and policies handed down by the outgoing board with regard to its ideal composition have been followed in selecting candidates*”.

This work is carried out using effectively structured methods and procedures. With regard to the specific **recommendation given by the Corporate Governance Committee, the Board of Directors oversees the self-evaluation process under the supervision of the Nomination and Governance Committee.** Among the Committee’s responsibilities for the purpose of the Board evaluation process are those of drawing up proposals to the Board regarding the appointment of a company specialising in the sector, selecting the themes that are intended to be covered in the evaluation and determining the methods and timing of the proceeding.

The serving Board of Directors of Leonardo carried out its first evaluation of the current mandate for the financial year 2020, which also represents – in accordance with best practices – the sixteenth one from the first evaluation conducted with reference to the 2005 financial year. The evaluation process was conducted by the BoD with the support and by making use of the professional services rendered by a specialist consulting firm: the related assignment involved the appointment of the firm Eric Salmon & Partners S.r.l. (“Eric Salmon & Partners”), operating in the sector of professional corporate governance services, which has been recognised as meeting the requirements of neutrality, objectivity, competence and independence; at present this company does not provide additional services to Leonardo, nor to Group companies, and has had no economic relations with Leonardo or with Group companies, except for the engagements assigned to this advisor for the support to the self-evaluation process of the Board of Statutory Auditors (as referred to in paragraph 11 below) and the advice provided in preparing the Guidance to shareholders relating to the renewal of the Board of Statutory Auditors on the part of the Shareholders’ Meeting in 2021.

Methods and Objectives

The self-evaluation process is aimed at a detailed analysis of the composition and functioning of the BoD, highlighting the present performance and any potential area for improvement on which attention must be focused specifically. The methodology that is adopted, which is based on both quantitative and qualitative tools to obtain the feedback from Directors, has envisaged:

- a preliminary analysis of material corporate documents (Corporate Governance Report, Articles of Association, Rules of procedure and recent minutes of the BoD and Committees’ meetings, curricula of Directors, etc.);
- an analysis of the results of the Board review activities carried out during the previous term of office, by gathering the documents submitted to the Board; subsequent discussion with the Chairman, the Chief Executive Officer and the Secretary to the BoD in order to set out objectives and expectations, as well as to finalise the questionnaire to be submitted to the Directors;



- individual interview with the Directors, based on a questionnaire with questions concerning the number of members of the Board and of its Committees, as well as the analysis of the operational practices adopted by the Board, which is instrumental to a qualitative discussion with respect to the best practices recognised at an international level:
- interaction with key company bodies and functions in order to obtain additional information (Secretary's Office for the BoD; Group General Counsel; Chief Audit Executive; Chief People, Organization and Transformation Officer; Chief Financial Officer; Chief Technology & Innovation Officer).

Analysis Themes

The themes for discussion, consideration and evaluation related to the following profiles:

- ✓ Overview of the BoD's work and operations;
- ✓ Organisation and processes of the BoD;
- ✓ Organisation and processes of the Committees;
- ✓ Roles and responsibilities of the Directors;
- ✓ Composition of the BoD (number of members and competencies);
- ✓ Directors' participation and commitment;
- ✓ Preparation and analysis of the strategic plan;
- ✓ Control systems;
- ✓ Risk analysis;
- ✓ Induction processes;
- ✓ Management succession plans;
- ✓ Sustainability, innovation and cyber security issues;
- ✓ General effectiveness of the BoD and related KPIs.

The themes above were supplemented, for related considerations, by the new **recommendations given by the Corporate Governance Committee for 2021** as a spur to share during the interviews. Particular attention was paid to the **theme of the analysis and contribution to the strategic plan on the part of the Board**; as well as to **the theme of the adequacy of the information before and at the Board meetings throughout the year**, even with regard to the information flows between the Board and the Committees, as analysed and positively assessed for their respective operations and the effective support to the proceedings of the Board.



Furthermore, the interviews were aimed at analysing, as a collective body, the Board's prevailing "culture" on the following key issues:

- ✓ Shared values
- ✓ Guide to the Board's proceedings
- ✓ Consensus buildings
- ✓ Relations and interactions between Directors
- ✓ Directors' commitment and contribution
- ✓ Quality of debate.

Results of self-evaluation

At the end of the self-evaluation process, a positive interaction emerged between the Directors and the rapid acquisition of knowledge and awareness of the strategic, organisational, industrial and governance issues of an entity that is as structured as Leonardo, despite the complex situation of the previous financial year (due to the health emergency, most of the meetings were held by means of audio and/or video-conference), thanks also to the significant effort made by the company in an effective manner. The members' joint commitment made it possible to create a climate of considerable cohesion and active participation; the particular mode of interaction did not limit the involvement of all the Board members, nor their interest and desire to give a significant contribution.

The overall judgment on the Board's work was very favourable: the results show very favourable opinions on all the issues under analysis. A significant contribution to the smooth operation of the Board was given by the very comprehensive, continuous and detailed induction programme, which thus greatly facilitated induction of the Board members into Leonardo's complex organisation, as well as their knowledge of the Company's business and governance.

In the unanimous opinion of the Directors, this positive climate - which expresses expectations and considerable potential - also relies on a support structure, which consists of the various management functions, is extremely well established and ensures great reliability and effectiveness.

The Company's various organisational units (headed by the Group General Counsel, the Chief Audit Executive, the Chief People, Organization & Transformation Officer, the Chief Financial Officer and the Chief Technology & Innovation Officer) provide a useful contribution to the work of the Board and of its Committees. The relationship with the Board of Statutory Auditors continues to be positive, in full respect of the roles.

One of the main features of the BoD - which is instrumental to a positive allocation of tasks, including with regard to the technical areas of the Committees - is the combination of professional skills, expertise and experience, which are regarded as complementary in a positive manner.



The functioning of the Board, taking into account the above-mentioned restrictions on physical contact but - at the same time - the excellent support provided by the Secretary's office and by information flows, and the positive and collaborative atmosphere, is already assessed at an excellent level.

The company's Top Management is considered to be crucial in creating the conditions for very constructive debates and processes. The Chairman's authoritativeness and his acknowledged ability to involve people contribute significantly to encouraging the participation of all Directors. The great experience and competence of the Chief Executive Officer is regarded as a source of security and robustness of the management and reliability of the industrial plans.

In general, the Directors are confident that they contribute to facing the Company's challenges by deploying their diversified professional and managerial skills.

Among the issues that are considered of greatest interest:

- update of the strategic industrial plan;
- projects linked to sustainability;
- the analysis of technological innovation strategies in the various forms that they may take in the corporate environment;
- the continuous monitoring of international benchmarks on both industrial business and governance practices.

Among the potential areas for improvement or suggestions with regard to operations emerged from the process are:

- continuing induction activities and organisation of meetings between Directors and employees, with in-depth analyses and single-issue sessions on specific areas included in the Board's agenda for discussions, as well as on governance issues including managerial succession plans and information flows to the corporate bodies;
- organising - whenever possible - Board meetings at the various company sites, in order to facilitate knowledge and further strengthen the interaction between Directors and between the BoD and management;
- implementing international benchmark analyses relating to the Group and its sectors.

Board induction

As required by the Rules of Procedure of the Board, the Chairman, in agreement with the Lead Independent Director, encourages Directors and Statutory Auditors taking part, in the most adequate manners, in appropriate and structured induction sessions in order to strengthen their skills during



their term of office and help them familiarise themselves with the manner in which the Company is organised and the business area in which it operates, the corporate dynamics, related evolution, the standards for the correct risk management as well as the applicable legislative and self-regulatory framework.

In this regard, a programme of presentations, seminars and meetings is defined to gain insight into the Group's activities and business, thus helping the analysis of matters of strategic importance, topical or of particular interest for the Company.

As part of the induction initiatives conducted in 2020, during the first few months of the year, presentations were held which were focused on projects underway at major plants, as were meetings regarding the Industrial Plan.

As from the appointment of the new Board of Directors, note in particular the Board Induction program in favour of the newly-established Board, with the aim of facilitating the approval of the resolutions on the part of the new board, providing in due time any adequate information for a first understanding of the company's business. The meetings, which were attended by Directors and Statutory Auditors, as well as by the corporate functions involved, focused on the history of the company, the process of transformation into One Company, local footprint, governance, the organisation of the Leonardo Group and the national and international business areas of the Company. These meetings were an opportunity to familiarise with and conduct an in-depth analysis of both the issues relating to the Strategic Plan and all the Group's business areas (Aircraft, Helicopters, Aerostructures, Electronics and Cyber Security Divisions; Unmanned Systems; Space&Leap 2020), with specific focus on governance issues, legal and corporate affairs, business development, issues related to People Management and brand vision, as well as in the field of sustainability, technological innovation and process efficiency. A great deal of space was also dedicated to the internal control and risk management system and training regarding the "Market Abuse Regulation" focused on the issues relating to the management of confidential and inside information and on the keeping of the Insider List, with a special in-depth analysis on the provisions of in-house procedures.

Finally, it should be noted that, during the first months of the current 2021 financial year, a workshop session was held which was aimed at further analyse subjects connected with the Strategic Plan and progress of related work.

In order to promote better knowledge of the relevant business, legislative and self-regulatory framework and of developments in this scenario, the Company makes available, and regularly updates, including in the dedicated virtual area, a specific set of reference corporate and company documents (Board's and Committees' Rules, Procedures, Codes) to the Directors and Statutory Auditors useful for the performance of their mandate.



Furthermore, on the occasion of the Board of Directors' Meetings, the Group General Counsel provides periodic information reports to the Directors and Statutory Auditors on the main legislative and regulatory developments concerning the Company and the corporate bodies, giving support in discussing specific important issues in depth.

4.4. DELEGATED BODIES AND INFORMATION TO THE BOARD OF DIRECTORS

Chief Executive Officer

The Board of Directors' Meeting held on 20 May 2020 confirmed the appointment of Alessandro Profumo as Chief Executive Officer, vesting in him, in line with the previous structure, all the necessary authorisations to jointly manage the Company and the Group (excluding specific powers that the Board has reserved to its own competence, in addition to those that cannot be delegated by law), consistently with the strategic guidelines identified by him and approved by the Board of Directors, in addition to the authority as legal representative of the Company and signatory powers (within the limits of the powers granted pursuant to law and to the By-Laws) and the power to implement the resolutions passed by the governing body, including those adopted before his appointment on 20 May 2020.

The Chief Executive Officer has been granted the powers required to perform these duties, with some limits on their exercise, including: €mil. 50 limit on the issue of guarantees, €mil. 50 limit on medium and long-term credit and debt financial transactions, and €mil. 200 limit on settlement of agreements other than concerning labour issues, relating to each individual transaction.

With regard to the new **General Management Department**, which was set up – with effect from 1 September 2020 – to report directly to the Chief Executive Officer, reference should be made to the contents of paragraph 15 below.

We specify that, in line with the Corporate Governance Code requirements, there is no situation of interlocking directorate as provided for in Application Criterion 2.C.6 of the current Code.

Chairman of the Board of Directors

At the meeting held on 20 May 2020 the Board of Directors, in line with the previous structure, granted the Chairman Luciano Carta, who is vested with the authority as legal representative of the Company and signatory powers pursuant to law and By-laws, some powers concerning the “Group Safety” and the “Group Internal Audit”, in the implementation of the corporate governance rules with reference to integrity in the conduct of business and fighting corruption and “Institutional Relations” (to be exercised in coordination with the Chief Executive Officer).



Information to the Board of Directors

The Chairman of the Board of Directors, in addition to calling Board meetings and presiding over them, ensures an **adequate and timely management of the information to the Board**, so that all the Directors act well-informed and can express themselves in a properly informed manner regarding the matters submitted for their evaluation.

In line with the recommendations formulated by the Corporate Governance Committee (as well as with the instructions of the new **Code**), **the Rules of the Board of Directors** lay down procedures that ensure the utmost degree of fairness and completeness in both the phase of providing information before board meetings and in the manner in which meetings are conducted. In particular, the Company has long been adopted an **Internal procedure** whose specific aim is to regulate an **adequate management, circulation and use of information flows** to the benefit of the proceedings of its governing bodies, with the aim of **combining and protecting timeliness, completeness and, at the same time, confidentiality of information**.

The Group General Counsel – through the Group Corporate Affairs organisational unit, coordinates these flows, ensuring that the necessary supporting documents are prepared for each item on the agenda so that the Directors can comprehend the matters submitted for their attention fully; the documents are accompanied by a summary of their main contents, the reasons for them and their objectives. In particular, the Group General Counsel, in consultation with the offices involved, satisfies himself that the documents are clear and complete and that they enable the Directors to express their opinions in awareness of the matters to be discussed at the meeting; then he passes them on to the Secretary of the Board for subsequent action. For particularly complex issues or documents, the Company, through the Group General Counsel and the Secretary of the Board of Directors, provides Directors with assistance and advice, placing the most helpful possible summary briefing papers at their disposal.

The documentation is made available in such a way as to ensure, also by accessing the relevant specific online platform (“Virtual Area”), the necessary **protection of confidentiality**, and at the same time **well in advance of the date of the board’s meeting, which is usually by the third day prior to that set for the meeting**, except in urgent cases when the documentation is made available in due time and subject to prior notice within the same time limit. Documents containing confidential and inside information are made available in a special section of the platform accessible only to Directors and Statutory Auditors; in particularly confidential cases, it may only be possible to view them for the purposes of consultation only.

However, the Directors and the Statutory Auditors can access the information documentation at the registered office in the days immediately prior to the meeting, as well as ask for clarification or



additional information to help them to better evaluate the matters submitted to the Board. The Chairman shall verify that the aforesaid information has been duly made available to the Directors and to the Statutory Auditors.

It is to be noted that the above **three-day limit for sending information before Board meetings was normally observed during the financial year**, except in a few urgent cases. In these cases, however, the Board was provided with information in time in compliance with the provisions of the Board's Rules of Procedure and **further specific, comprehensive and entirely satisfactory information regarding the items on the agenda was given during the meetings concerned**, also thanks to supporting details from the Heads of the organisational units and the availability of full, detailed documentation, also through the support of the Group General Counsel and the Secretary of the Board. Moreover, **the executives' actual attendance at the board meetings** was confirmed for the financial year 2020 too (as already mentioned in paragraph 4.3 above), in order to provide the most appropriate in-depth analyses on the issues under their respective competence.

The Chief Executive Officer provides the Board of Directors, at least on a quarterly basis, with full information regarding the main activities he has performed in the exercise of his delegated powers, as well as in relation to the implementation of the resolutions passed by the Board.

This information is provided at the same time as the periodic accounts (Annual, Half-Year and Quarterly Reports) are submitted for the approval of the Directors and in relation to significant corporate and financial transactions at the first possible meeting of the Board.

As urged by the Corporate Governance Committee, the topic concerning the **adequacy of the information before and at Board meetings received during the year** was also considered during the **self-evaluation phase**, even in relation to the **information flows between the Board and its Committees** (as referred to in paragraph 4.3 above in the area of Board evaluation).

4.5. OTHER EXECUTIVE DIRECTORS

The Board of Directors is made up exclusively of non-executive Directors (i.e. without delegated operational powers and/or management duties within the Company), with the exception of the Chief Executive Officer Alessandro Profumo.

4.6. INDEPENDENT DIRECTORS

Independence assessment

In accordance with the Company's corporate governance model, which has been aligned with the recommendations of the Corporate Governance Code, Leonardo's Board of Directors assesses the



degree of independence of its non-executive members at the first possible meeting after their appointment. Their independence is reassessed periodically, on an annual basis (making the related results available in the Corporate Governance Report), as well as upon the occurrence of any circumstances that are relevant for independence purposes. In assessing independence, the Board considers the information given by the individuals concerned. The Board's Rules of Procedure (article 4) establishes the contents and procedures according to which the individual Directors provide information, as well as the application criteria that are specifically relating to the Company. The Board then submits its assessment of the independence of its members to the Board of Statutory Auditors, which keeps an eye on the correct application of the assessment criteria and procedures. The serving Board of Directors has evaluated the independence of its non-executive members following the appointment by the Shareholders' Meeting held on 20 May 2020, and made its findings known by a press release that was promptly issued to the market after the meeting held on the same date, as well as, at a later time during the meeting held on 25 February 2021 (periodical evaluation). In the last meeting referred to above, as a result of the assessments carried out, the Board confirmed its previous evaluation concerning the satisfaction of independence requirements prescribed by the Code applicable in the reporting year. The Board then established that these requirements were met by all non-executive Directors (Carmine America, Pierfrancesco Barletta, Dario Frigerio, Patrizia Michela Giangualano, Paola Giannetakis, Federica Guidi, Maurizio Pinnarò, Ferruccio Resta and Marina Rubini), except for the Chairman Mr Luciano Carta in that he was "a prominent representative" of the Company (in accordance with the provisions laid down in the abovementioned Code) and for Director Mrs Elena Comparato (by virtue of her employment relationship with shareholder Ministry of Economy and Finance).

Furthermore, it should be noted that, as disclosed after the Board meeting held on 20 May 2020, the Board of Directors established that the independence requirements, prescribed by law, as referred to by the Company's By-Laws, were met by the Chairman Luciano Carta and the Directors Carmine America, Pierfrancesco Barletta, Dario Frigerio, Patrizia Michela Giangualano, Paola Giannetakis, Federica Guidi, Maurizio Pinnarò, Ferruccio Resta and Marina Rubini.

At the time of filing the lists, the aforesaid Directors declared that they met the independence requirements prescribed by law and by the Code.

Therefore, the Company is largely in line with the instruction laid down in the Code, which provides for the obligations of issuers belonging to the FTSE-MIB index to appoint at least one third of independent Directors, as well as already compliant with the more stringent instructions of the **new Code** – at least half of the board – for "large companies" (with higher capitalisation).

In its evaluation, the Board of Directors has adopted the same parameters and application criteria specified in the Corporate Governance Code. The Board of Statutory Auditors has positively verified



the correct application of these criteria, as well as of the assessment procedures adopted by the Board, without making objections.

Therefore, it should be noted that, with regard to the **recommendations of the Corporate Governance Committee, no instance of non-compliance with or deviation from the criteria laid down in the Corporate Governance Code emerged from the Board of Directors' independence assessment** referred to above.

In the assessment of independence and in the framework of the contemplated criteria, the Board's Rules also specify as follows.

"Prominent representative" is a term that indicates the Chairman, the executive director or a director duly empowered, the General Manager or Joint General Manager (of Leonardo or of any other company contemplated by the Code).

Persons who are in a position to exercise "significant influence" over Leonardo are shareholders holding at least 10%, even indirectly, of its shares.

With regard to the **recommendations of the Corporate Governance Committee** and the **guidelines set out in the new Code** in respect of the **evaluation of the significance of the relationships under examination** (any possible commercial, financial or professional relationships) and **ex-ante definition of the applicable quantitative and/or qualitative criteria to refer to in such evaluation**, while retaining its discretionary power in evaluating specific situations in the light of the Company's best interests, the significance of the relationship and the likelihood of its affecting the Director's independence, **the Board has long since adopted the annual remuneration for the position of Company Director (currently equal to € 80,000) as the quantitative criterion for establishing the significance of any professional relationships.** Nevertheless, the Board's prior authorisation is still required for appointing Directors to professional positions.

Additionally, again for the purposes of the independence assessment, with regard to persons who are or were in the service of the Italian central government, which is a shareholder of Leonardo through the Ministry for the Economy and Finance, the Board of Directors appraises Directors' past or present employment by the Office of the Prime Minister, the Ministry for the Economy and Finance, the Ministry for Economic Development and the Ministry of Defence and any past or present positions held by such persons involving influence over authorities' policies or their manner of execution.

Without prejudice to all the above rules, the principle remains that each Director acts fully in conformity to his/her obligation to the Company to attend to his/her duties with the diligence called for by the nature of the position and by his/her specific expertise.



Meetings of Independent Directors

Independent Directors meet at least once a year, in the absence of the other Directors with the aim of analysing particularly important matters such as the functioning of the Board of Directors or the corporate management. These are meetings held for their purpose, which are other than, and additional to, those of the board Committees, and are convened at the request of the Lead Independent Director or of the other Independent Directors.

The latter can support the internal Board committees, which can consult with the other Independent Directors for any appropriate evaluation, if this is deemed appropriate also in relation to certain matters delegated to them and if there are matters of particular importance.

The Independent Directors met no. 2. times in 2020, as requested by the Lead Independent Director and without the presence of the other non-independent Directors.

During the first meeting, the Independent Directors unanimously agreed on the advisability of assigning the representation of the Independent Directors to a Director appointed from the minority list, proposing the appointment of Dario Frigerio as Lead Independent Director due to his skills and competence, as well as with a view to continuity with the previously serving Board of Directors. Subsequently, the Board, with the abstention of non-independent Directors and the interested party only, proceeded with the relevant appointment. During the second meeting, the Independent Directors, confirming the well-established practice of holding specific meetings on the work progress of the Strategic Plan, decided to organise more frequent meetings aimed at optimising the Directors' participation on the various issues, in order to have a better knowledge of the Group.

4.7. LEAD INDEPENDENT DIRECTOR

Following the renewal of the Board of Directors by the Shareholders' Meeting of 20 May 2020, the Board appointed – on 25 June 2020 – the Director Dario Frigerio as Lead Independent Director, with the task of coordinating the requests and contributions from non-executive Directors and in particular from independent Directors.

Even in the absence of the specific situations contemplated in the Code, the Rules provide in fact for such power of appointment on the part of the Board, with the abstention of the executive Directors and in any case of the non-independent Directors; it is also envisaged that in any case the Board has to make this appointment in the event of the Chairman being granted delegated operational powers. However, even if the Board of Directors has not granted delegated operational powers to the Chairman, it considered it appropriate (also in consideration of the authorities granted to the same) to appoint the Lead Independent Director, who will serve throughout the term of office of the Board of Directors.

Specifically, the Lead Independent Director:



- assists the Chairman in ensuring that Directors receive full and prompt information and in taking appropriate actions to allow Directors and Statutory Auditors to enhance their knowledge of the Company, of the Group and of the corporate dynamics;
- convenes, independently or at the request of other Board members, special meetings of independent Directors to discuss issues relevant to the functioning of the Board or the Company's operations;
- contributes to the process of the assessment of the members of the Board;
- collaborates with the Chairman in the annual planning of the Board's works;
- informs the Chairman of any matters to be submitted to the Board for scrutiny and appraisal.

During the 2020 financial year the Lead Independent Director promoted and coordinated the work of Independent Directors and also outlined, in agreement with the Chairman and the Chief Executive Officer and with the support of the competent corporate functions, a programme of presentations and meetings, to the benefit of Directors and Statutory Directors (as already reported as regards Board induction issues), dedicated to gain a more in-depth knowledge of the Group's activities and businesses.

4.8. HANDLING OF CORPORATE INFORMATION

In accordance with the provisions of the law and of the corporate governance code in force for the time being, the Company has for some time been adopting specific procedural rules which ensure the utmost fairness, accuracy and timeliness in managing and spreading corporate information, as well as the utmost transparency and accessibility in its disclosures to the market.

The current company rules are compliant with the reference regulatory framework (i.e. the EU rules on Market Abuse under Regulation (EU) no. 596/2014 in force from 3 July 2016) that the Company has taken steps to adopt in an appropriate manner, including in the light of the domestic framework, both with reference to the treatment of inside information and to Internal Dealing provisions and related communications to the market.

The related documentation has been made available promptly in the specific area of Market Abuse of the Corporate Governance section of the website.

Inside Information

In order to ensure the utmost fairness in the management and disclosure of corporate information, the Company's Board of Directors – upon the proposal of the Chief Executive Officer – has adopted, including in accordance with the recommendations laid down in the Corporate Governance Code, a procedure for the internal management and the external dissemination of documents and information concerning the Company, with specific regard to inside information.



The procedural rules were revised several times in order to implement the regulatory changes which took place over the time, including the recent contents of the aforesaid EU Regulation.

The applicable **PROCEDURE FOR THE MANAGEMENT, PROCESSING AND DISCLOSURE OF LEONARDO S.P.A.'S CONFIDENTIAL AND INSIDE INFORMATION AND FOR THE KEEPING OF THE INSIDER LIST**, which was approved by Leonardo Board of Directors' meeting held on 13 December 2018 (following a process of organic review and rationalization of the company regulatory framework), was finally updated on 20 December 2019 and 11 December 2020 in order to incorporate the subsequent changes that had occurred in the corporate organisational structure.

The Procedure, which is available in the Corporate Governance section of the website (Market Abuse/Inside Information area), defines principles, obligations of conduct and information flows as to the processing of inside and confidential information concerning Leonardo S.p.a. and its subsidiaries, as well as the keeping and updating of the list of persons who have access to Inside Information (Insider List). The roles and responsibilities of the organisational units and of the persons involved in any capacity in the internal price sensitive information management process are also identified and set out in detail. The Procedure identifies, among other things, the Chief Financial Officer organisational unit, in particular in the persons of the Chief Financial Officer and the Head of the Investor Relations and Credit Rating Agencies organisational unit, as Leonardo's function in charge of the management and disclosure of inside information (IIMF or Inside Information Management Function), as well as of the correct keeping of the Insider List.

During the complex updating of the internal procedure, the main aspects of the contents of the applicable legislative framework were carefully established, in order also to adopt the guidelines of the Supervisory Authority.

Code of Internal Dealing

The **CODE OF INTERNAL DEALING** governs transparency rules and the specific flow of information to the market, provided for transactions involving shares issued by Leonardo or other financial instruments connected to these and initiated, also through a third party, by "Key Persons" of the Company (as well as by persons "closely connected" to them). The Code's text has been updated over time in order to transpose, through a substantial reformulation of related contents, the relevant changes into the relevant regulatory framework and the new developments of the European and domestic Market Abuse regulations.

The members of Leonardo's Board of Directors and Board of Statutory Auditors, as well as the persons filling the role of General Manager and Officer in charge of Financial Reporting in the Company are considered as Key Persons. The updated list of "Key Persons" of Leonardo is timely made available on the Company's website (Corporate Governance section, Market Abuse/Internal Dealing area), together with the text of the Code described above.



Periods during which Key Persons may not carry out transactions (blackout periods) are prescribed by the above rules: in this regard, among the measures of implementation of the rules, the Board of Directors deemed it advisable to also extend the blackout obligation, with respect to the provisions of regulations laid down for the disclosure of annual and half-year data, to periods prior to the publication of the additional periodic financial disclosures made by the Company on a voluntary basis; the list of events to which the blackout periods must be referred has been further supplemented in view of the highly sensitive nature of the information provided in the Strategic and Industrial Plan approved by the Company and the consequent significance of the related process of drafting and disclosing it to the market.

Therefore, Key Persons may not carry out any transactions within 30 calendar days of the announcement of the results for each accounting period in the year (31 March, 30 June, 30 September, 31 December), as well as of the approval of the Company's Strategic and Industrial Plan until the respective press releases have been issued.

The annual schedule of blackout periods is promptly updated by the Company's functions and communicated to Key Persons for the reporting year.

The quantitative threshold identified by the Code for transactions subject to disclosure provides - in compliance with the regulatory provisions in force - for the exemption from disclosure obligations in relation to transactions with a total value that does not reach €20,000 by the end of the same calendar year (subject to the obligation to notify that the minimum limit has been reached, applying to each subsequent transaction during the year even if the amount is lower).

In order to ensure that the rules are correctly applied, the Code provides for specific flows and procedures to facilitate that Key Persons are made aware of their obligations promptly, and are provided with the help to fulfil them on the part of the Company functions, specifically on the part of the Legal, Corporate Affairs, Compliance, Criminal Law and Anti-Corruption organisational unit identified by the Code as the party in charge of receiving, managing and disseminating the information in question.

The information is promptly published in the Corporate Governance section on the company website (Market Abuse/Internal Dealing area).

4.9. DIRECTORS' INTERESTS AND TRANSACTIONS WITH RELATED PARTIES

In compliance with the relevant regulations and according to the applicable regulatory principles of Consob, the Company's Board of Directors approved, on 26 November 2010, the specific **PROCEDURE FOR RELATED PARTIES TRANSACTIONS** (hereinafter referred to as "the Procedure"), after having received the unanimous favourable opinion by a specifically established Committee which is only composed of independent Directors ("Procedures Committee"). At the same time the



Control and Risks Committee (formerly the Internal Control Committee) was appointed to also act as the Committee for Related Parties Transactions (hereinafter the “Committee”).

The Procedure defines rules and information flows aimed at ensuring transparency, substantive and procedural fairness in transactions with related parties entered into by the Company, directly or through subsidiaries. Through the Procedure, the Company took steps to determine in particular the criteria and methods for identifying related, as well as the quantitative criteria for identifying transactions of greater or lesser “importance”, and to define the procedures for examining and approving such transactions, with specific rules for cases in which the Company examines or approves transactions entered into by its subsidiaries, to establish the procedures for meeting the disclosure requirements related to the regime. The Procedure also applies as instructions given by Leonardo to its subsidiaries pursuant to Article 114, paragraph 2, of the Consolidated Law on Financial Intermediation, together with the operational provisions laid down within the related execution.

Moreover, the provisions of the procedure set out the types of transactions exempt from the regulations, subject to the regulatory plan concerning disclosure requirements towards Consob and the general public.

It also established the quantitative criteria for identifying so-called “minor” transactions, which are not subject to the regulations, i.e. transactions of amounts of not more than **(i)** €mil. 3, or **(ii)** €th. 250 (per year) for on-going consulting work and other professional services, as well as awarding remuneration and financial benefits to members of the administration and control bodies or Managers with strategic responsibilities. With reference to point **(ii)** above, these rules are applied in alignment with best practices, which set lower limits for transactions with counterparties who are natural persons.

The Procedure has to be reviewed for adequacy periodically (at least every three years) and the decision whether to proceed with the related review, also in light of the application practice. The relevant changes, if any, must be approved by the Board, on the basis of the opinion released on a precautionary measure by the Committee. The Chief Executive Officer is entitled to make formal amendments to the text of the Procedure (of which he has to advise the Committee promptly) or amendments due to changes occurred in the Company’s organisational structure or occurred law or regulation provisions.

The Procedure underwent several updates over the time in order to take account of adjustments suggested by experience in its application and by the experience gained during the implementation in responding to specific guidelines made by Consob, as well as to incorporate adaptations arising from the changed organisational structure. Finally, on 18 December 2019, at the end of the third phase of periodical evaluation, the Board of Directors confirmed that the contents of the Procedure were



adequate and valid, introducing minor adjustments to the text essentially aimed at specifying some procedural passages, as well as at further aligning its contents with the organisational structure.

Worth noting are the following adjustments made over time:

- the voluntary extension of the number of persons to whom the Procedure is to apply by including the Divisions Managers and the Heads of certain Business Units of the Electronics Division (who were assigned the role of Managers with strategic responsibilities) as well as the members of the Surveillance Body among “Related Parties”;
- the introduction of a periodic flow of information, in favour of the Board of Directors and of the Committee, on the implementation of the transactions of greater importance (carried out by Leonardo either directly or indirectly), which are subject to the specific exemption envisaged for the ordinary transactions concluded at arm’s length or standard conditions;
- the introduction of a periodic flow of information on a six-month basis, in favour of the Board of Statutory Auditors, showing the transactions implemented in the period;
- the extension of the scope of application of the threshold for the “minor transactions”, which has been set out to a different and reduced extent (€250,000) for any transactions concerning consultancy /professional services/awarding remuneration and financial benefits, to Directors, Statutory Auditors and to any other Managers with strategic responsibilities and to the members of the Surveillance Body, including to their close family members or to the companies in which such persons hold a significant stake;
- the permanent appointment of the Control and Risks Committee, as Committee for Related Parties Transactions, made up exclusively of independent Directors, to give the required opinion concerning the changes to be made in the Procedure, (this applies apart from adjustments directly made by the Chief Executive Officer);
- the extension of the Chief Executive Officer power to directly make adjustments to the Procedure also with reference to the new law or regulatory provisions, in order to ensure the most timely alignment of the internal provisions with the relevant rules.

The text of the current Procedure is available in the Corporate Governance section on the Company’s website, in the specific area of “Transactions with Related Parties”.

The Surveillance Body monitors whether the Procedure adopted complies with the principles set out in the Consob Regulation as well as the relative observance and reports its findings to the Shareholders’ Meeting. The Board of Statutory Auditors of Leonardo receives targeted and periodical information flows on the main transactions carried out in the relevant period (of lower or higher importance, including transactions exempt from the regulations, as well as on the related management of the procedures.



Finally, with reference to the situations in which a Director who, under art. 2391 of the Italian Civil Code, has an interest in the transaction subject to the examination of the Board, on his own behalf or on behalf of third parties, the Rules of the Board provide for the duty of the Directors to promptly and exhaustively inform the Board itself of the existence of this interest and of the related circumstances. Furthermore, the Directors themselves will abstain from the related resolutions.

5. INTERNAL BOARD COMMITTEES (ART. 123-BIS, PARA. 2, LETT. D), TUF)

As required by the Rules of Procedure, the Board of Directors has formed Board Committees which conduct preliminary inquiries, submit proposals and have consultative functions and which are responsible for supporting the Board in performing its role. Each Committee's exact tasks are established by a resolution of the Board when it is formed and may be afterwards added to or amended by the Board; this may also be done when their Rules, which are approved by the Board, are amended. These Rules lay down the procedures for the functioning of the Committees. The individual Committees are also entitled to submit any possible proposal to the Board for changes in the related functioning in the light of the experience in application.

Committee meetings are minuted and the Chairman of each Committee reports on their resolutions at the next possible Board of Directors meeting.

The Board of Directors in office has established the following Internal Committees: the **Control and Risks Committee**, the **Remuneration Committee**, the **Nomination and Governance Committee** and the **Sustainability and Innovation Committee**. These Committees are composed in accordance with the recommendations of the Corporate Governance Code and the instructions laid down in the **new Code**, as illustrated in the subsequent paragraphs, to which reference should be made for their functions, work and composition, as well as for the activities that were also carried out by the previous **Nomination, Governance and Sustainability Committee** during the reporting year.

Furthermore, information is also provided below on the activities that were carried out by the **Analysis of International Scenarios Committee** during the reporting year until the date of appointment of the new Board of Directors on the part of the Shareholders' Meeting held on 20 May 2020.

The Analysis of International Scenarios Committee held 1 meeting during the financial year 2020, preceded by a preparatory work meeting (pre-Committee), which other Directors and Statutory Auditors were also invited to participate in and which was aimed, as usual, at an in-depth analysis of the items under discussion with the contribution of third-party experts. The meeting lasted about 1 hour.



Composition

Marta Dassù Chairman (1)

Luca Bader (1)

Fabrizio Landi (1)

Silvia Merlo (1)

(1) Until 20 May 2020

Attendance

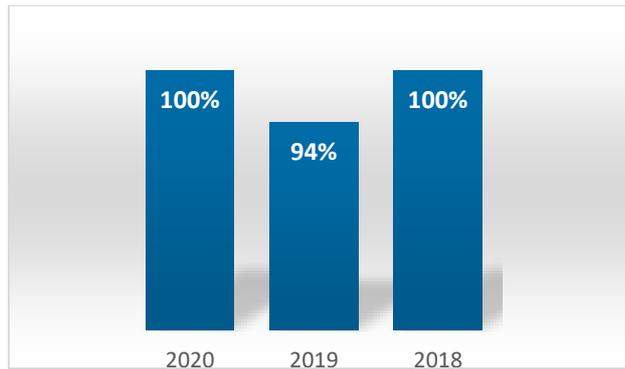
no. 1/1 meeting

no. 1/1 meeting

no. 1/1 meeting

no. 1/1 meeting

A.I.S.C.
Average attendance at meetings



Meetings – Duties - Activities

The Committee meetings must be attended by the Chairman of the Board of Directors, the Chief Executive Officer (invited on a permanent basis) and the Chairman of the Board of Statutory Auditors (or any other Statutory Auditor designated by the latter), as well as, at the invitation of the Committee through the Chairman and according to the items on the agenda, by any other person, including other members of the Board of Directors, employees working for the Company or Group companies.

The Committee, which was set up on 19 June 2014, supported the Board of Directors, providing targeted insights into major opportunities and geopolitical risks that are significant for the definition of the Company’s and Group’s strategic guidelines set out by the Chief Executive Officer, specifically considering:

- geopolitical events in areas and countries of primary interest, with related potential impact on the business environment in the sectors of aerospace, security and defence;
- trends in key countries’ defence policy, with related impact on investment and procurement policy in countries that are of major interest to Leonardo, in both civil aircraft and defence and security sectors.

The Committee has played an important role, taking account of the volatility of the international scenario and the rapid technology evolution, with significant impacts on the aerospace and defence business.



The Chairman reported on the Committee meetings and resolutions, duly minuted, at the subsequent Board of Directors' meeting. The Committee also provided a periodic report to the Board of Directors on the work it had done.

At the meeting held during 2020 the Committee examined in particular the evolution of the scenario in Turkey and the related impact on the Mediterranean area.

6. NOMINATION AND GOVERNANCE COMMITTEE AND SUSTAINABILITY AND INNOVATION COMMITTEE

The Company's Board of Directors has established the Nomination Committee since December 2013, in accordance with the Code's recommendations. Subsequently, in September 2016, following the recommendations addressed at FTSE-MIB companies in particular, and considering that this was a good opportunity to give a Board Committee sustainability oversight functions, the Board gave the Committee the additional functions of having the power to submit proposals and providing advice, in the matters of both sustainability and corporate governance. While retaining its previous responsibilities, this Committee then took the name of **Nomination, Governance and Sustainability Committee**.

Finally, in 2020, after the renewal of the governing body on the part of the Shareholders' Meeting, the new Board of Directors – while setting up the new Board Committees on 25 June 2020 - decided to reallocate the functions in the field of governance and sustainability, by establishing the **Nomination and Governance Committee** and the **Sustainability and Innovation Committee**.

Information is provided below on the composition, duties and work done by the two new Committees, including – for the matters within the sphere of their respective competence – the activities carried out by the previously serving Nomination, Governance and Sustainability Committee (NGSC) during the first half of the year.

In line with the recommendations of the Corporate Governance Committee, the activities carried out during the year are illustrated with separate evidence of what is specifically inherent to the role of the Nomination Committee, with respect to the activities relating to any additional functions assigned to the Committee.

With reference to the additional organisational measures adopted by Leonardo on the sustainability, including with reference to the recommendations of the Corporate Governance Committee and the guidelines in the new Code, reference is made to para. 13 below.



6.1. NOMINATION AND GOVERNANCE COMMITTEE

The Committee, in line with the guidelines of the Corporate Governance Code, as well as in accordance with the instructions of the **new Code**, is composed of 6 non-executive Directors, most of whom are independent.

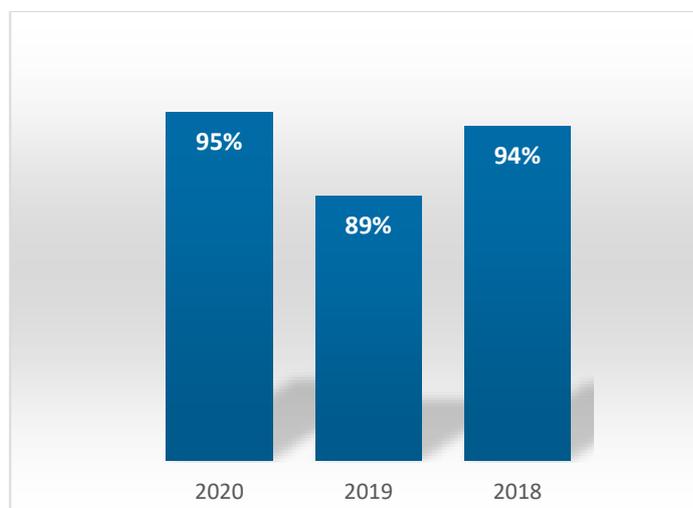
<i>Composition</i>	<i>Attendance</i>
Maurizio Pinnarò (1) Chairman Independent member	no. 5/5 meetings
Carmine America (1) Independent member	no. 5/5 meetings
Pierfrancesco Barletta (1) Independent member	no. 5/5 meetings
Elena Comparato (1)	no. 4/5 meetings
Dario Frigerio (1) Independent member	no. 5/5 meetings
Federica Guidi (1) Independent member	no. 3/5 meetings

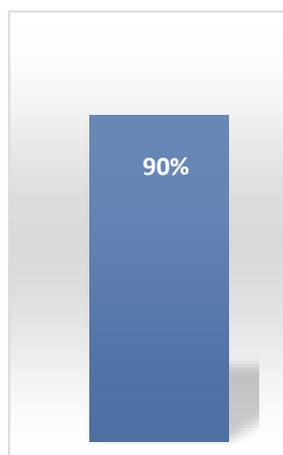
(1) Member of the Committee, set up on the same date, from 25 June 2020

Guido Alpa (2) Chairman <i>Independent member</i>	<i>no. 3/3 meetings</i>
Marina Elvira Calderone (2) <i>Independent member</i>	<i>no. 3/3 meetings</i>
Paolo Cantarella (2) <i>Independent member</i>	<i>no. 3/3 meetings</i>
Marta Dassù (2) <i>Independent member</i>	<i>no. 2/3 meetings</i>
Dario Frigerio (2) <i>Independent member</i>	<i>no. 3/3 meetings</i>
Marina Rubini (2) <i>Independent member</i>	<i>no. 3/3 meetings</i>
Antonino Turicchi (2) <i>Independent member</i>	<i>no. 3/3 meetings</i>

(2) Member of the NGSC until 20 May 2020

N.G.S.C. Average attendance at meetings



N.G.C. – Average attendance at meetings - 2020*Meetings*

During the financial year 2020 no. 5 meetings of the new Committee and no. 3 meetings of the NGSC were held. The overall average duration of the NGSC's meetings was 2 hours and 16 minutes, while the overall average duration of the NGC's meetings was 2 hours and 10 minutes. In the current 2021 financial year, no. 3 meetings of the Nomination and Governance Committee had been held as at the date of approval of this Report.

The meetings and resolutions are duly minuted and the Chairman of the Committee informs the Board of Directors about these matters at the next possible Board meeting. Furthermore, the Committee reports to the Board on the work it has done at least annually.

The Committee's meetings may be attended by the members of the Board of Statutory Auditors; they may also be attended by the Chairman of the Board of Directors and the Chief Executive Officer. Upon the invitation of the Committee through the Chairman – and in relation to the issues on the agenda – meetings may also be attended by other persons, including other Board members and employees working for the Company or for Group companies. Usually the Group General Counsel and the head of the Group Corporate Affairs organisational unit participate in the proceedings of the Nomination and Governance Committee for the matters within the sphere of their competence.

Duties

The Nomination and Governance Committee is responsible for conducting preliminary inquiries, submitting proposals and performing consultative functions, aimed, among other things, at supporting the Board in the Board evaluation process, the assessments concerning the size and composition of the Board, the number of positions compatible with the office as Director of the Company, as well as in relation to the replacement of independent Directors.

The Committee is also entrusted with specific responsibilities concerning corporate governance, including the monitoring of developments in legislation, self-regulation and best practices in this



field and the assessment of the related alignment of the corporate governance system of the Company and the Group, as well as with the submission of proposals to the Board of Directors for any changes in the corporate governance system, where deemed necessary and appropriate.

The functions and duties of the Committee are illustrated and regulated by specific **Rules of Procedures**, which have been approved by the Board of Directors (available in the Corporate Governance section of the Company's website), and which adopt the application criteria recommended by the Code.

Functions as Nomination Committee

- Preparing the Board evaluation procedure, proposing to the Board the appointment of a company specialised in the sector, deciding on the matters to be considered and laying down the timing and method of the procedure;
- Submitting opinions to the Board concerning the size and composition of the same, as well as expressing recommendations as to managers and professionals, the presence of which is considered appropriate within the Board;
- Expressing recommendations to the Board according to the related opinion regarding the maximum number of positions as director or statutory auditor that is compatible with the efficient performance of the duties involved in a directorship with the Company;
- Putting forward proposals to the Board in relation to the candidates to the position of Director in the cases of co-option, where it is necessary to replace independent Directors;
- Carrying out, at the request of the Board of Directors, a preliminary examination for the purposes of the assessment by the Board itself of the adoption, if any, of a plan for the replacement of executive Directors, as well as preliminary activities as to the preparation of the plan itself; carrying out the preliminary work involved in updating crisis management procedures.

Functions as Governance Committee

- Monitoring legal developments and best practices, both national and international, with regard to corporate governance, informing the Board if any substantial changes are made;
- Satisfying itself that the corporate governance system that the Company adopts is in line with the regulations, best practices and the recommendations in the Corporate Governance Code;
- Putting forward proposals to the Board for changes in the corporate governance system, if deemed necessary and appropriate;
- Looking at the Annual Corporate Governance Report before it is placed before the Board.

In order to conduct its activities, the Committee is supported by the Company's competent functions and, especially, by the Group General Counsel and the Group Corporate Affairs organisational unit, for thorough analyses on corporate governance matters. The Committee is authorized to access the



information required to perform its duties, as well as to seek assistance from external consultants at the Company's expense, provided that the latter are adequately bound by the necessary confidentiality agreements and are not in such a situation as to impair their independence of judgment. The Company provides the Committee with the necessary financial resources for the performance of its duties.

Summary of activities carried out

The activities carried out by the Committee (and by the previously serving NGSC for the matters within the sphere of its competence) during 2020 and in the first months of the current year are summarised below.

With respect to Nomination matters, the Committee:

- ✓ In its previous composition as the Nomination, Governance and Sustainability Committee, supported the outgoing Board members in drafting the related Guidelines on the ideal composition of the new board to be appointed, which were based on the results of the 2019 self-evaluation process;
- ✓ In its current composition as the Nomination and Governance Committee, supported the procedure for the 2020 self-evaluation of the functioning of the Board, putting forward proposals to the latter in order for it to make use of the support by a specialist advisor, identified in Eric Salmon & Partners, as well as determining the subjects to be addressed in the evaluation, the methods to be followed in carrying out the work and the time it should take; the results of the procedure were examined in the first months of 2021 and reported to the Board;
- ✓ Again in its current composition as the Nomination and Governance Committee, took cognizance of the findings of the self-appraisal process performed by the monitoring body.

With respect to Corporate Governance matters, the Committee:

- ✓ carried out an in-depth analysis of the governance and control models; in this regard, at the meeting held on 11 March 2020 the Committee, in its Report to the Board, finally provided information on the work specifically performed as to the study of possible alternative governance systems with respect to the traditional one;
- ✓ Examined the contents of the new Corporate Governance Code, promptly evaluating the potential impacts on Leonardo's governance system and identifying the areas of specific interest to the Company;
- ✓ Shared its preliminary analyses with the other Committees for any possible observation on the matters within the sphere of their competence, for the purposes of preparing a single proposal



to the Board of Directors for the transposition of the provisions of the Corporate Governance Code into the Rules of procedure of the Board Committees and of the Board of Directors;

- ✓ Analysed the Corporate Governance Committee's recommendations to the issuers and assessed the state of implementation on the part of the Company;
- ✓ Continued analysing the governance evolution in order to ensure that the Company and the Group comply with the applicable legislation, the Corporate Governance Code and the national and international best practices;
- ✓ Took steps to analyse the contents of Leonardo's policy for managing dialogue with its shareholders and stakeholders, in order to prepare the text to be submitted to the Board for its subsequent approval;
- ✓ Acknowledged the annual reports on the work done by the Inside Information Management Function and continued with reference to the rules on Market Abuse, its analysis of the contents of the regulations, while considering the most appropriate updates of the Company's policy and submitting the related proposals to the Board for its approval;
- ✓ Read this Corporate Governance Report before it was submitted to the Board of Directors, to which it handed down its opinion on the document.

In accordance with the Nomination and Governance Committee's task of monitoring the suitability of the governance system, the Board of Directors – after having acknowledged that, on the basis of the analyses carried out after the first-instance judgment was handed down by the Court of Milan against Alessandro Profumo in relation to the proceedings involving Monte dei Paschi di Siena, a scenario emerged that does not entail specific limitations on company operations – appointed the Committee to monitor and investigate into any potential development.

On the basis of the analyses carried out, the Committee has considered at present that it is not necessary to take any other action and has reported to the Board of Directors in this regard.

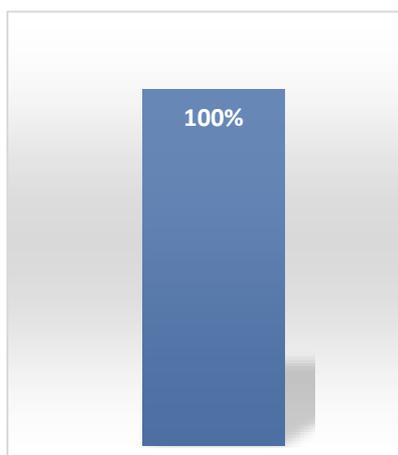
6.2. SUSTAINABILITY AND INNOVATION COMMITTEE

The Committee is composed of 4 non-executive Directors, who are all independent directors.

<i>Composition</i>	<i>Attendance</i>
Ferruccio Resta (1) Chairman Independent member	no. 4/4 meetings
Carmine America (1) Independent member	no. 4/4 meetings
Michela Patrizia Giangualano (1) Independent member	no. 4/4 meetings
Paola Giannetakis (1) Independent member	no. 4/4 meetings

(1) Member of the Committee, set up on the same date, from 25 June 2020



S.I.C. Average attendance at meetings - 2020*Meetings*

During 2020, no. 4 meetings of the new Committee were held from the date of its establishment (25 June 2020), as were no. 2 meetings during the current 2021 financial year (as at the date of approval of this Report).

The overall average duration of the meetings was 1 hour and 34 minutes. The meetings and resolutions are duly minuted and the Chairman of the Committee must report on the matter at the subsequent Board meeting. The Committee also provides a report to the Board on the work it has done at least annually.

In carrying out its activities, the Committee is supported by the Company's competent functions and, in particular, by the organisational units that report to the Chief Technology and Innovation Officer and to the Chief Financial Officer.

The Committee's meetings may be regularly attended by the members of the Board of Statutory Auditors; they may also be attended by the Chairman of the Board of Directors and the Chief Executive Officer. Upon the invitation of the Committee through the Chairman – and in relation to the issues on the agenda – meetings may also be attended by other persons, including other members of the Board of Directors and employees working for the Company or for Group companies. Usually the Chief Technology and Innovation Officer and the Chief Financial Officer participate in the proceedings of the Committee for the matters within the sphere of their respective competence.

Duties

The functions and duties of the Committee are illustrated and regulated by specific **Rules of Procedures**, which have been approved by the Board of Directors (available in the Corporate Governance section of the Company's website); in particular, the Committee:



- Establishes, in agreement with the Control and Risks Committee, whether the objectives of the Sustainability Plan are pursued;
- Creates ways of interaction with all stakeholders (stakeholder engagement);
- Examines the general layout of the Consolidated Non-Financial Statement, as well as the completeness and transparency of the information, issuing a preliminary opinion in this regard for approval by the Board;
- Monitors the key Sustainability/ESG indices and promotes the Group's positioning with respect to the international benchmark;
- Supports the Company in identifying technologies and capabilities that may support Leonardo's business areas;
- Supports the Company in assessing the consistency between Leonardo's technological capacity and Industrial Plan;
- Supports the Company in creating academic and research networks at both national and international level with a view to Open Innovation.

Summary of activities carried out

The activities carried out by the Committee (and by the previously serving NGSC for the matters within the sphere of its competence) during 2020 and in the first months of the current year are summarised below:

- ✓ Examined – in agreement with the Control and Risks Committee - the 2019 Sustainability and Innovation Report, which includes the Consolidated Non-Financial Statement in accordance with Legislative Decree 254/2016, and endorsed the approval of the Report by the Board of Directors;
- ✓ Examined – in agreement with the Control and Risks Committee – the project to integrate the 2020 Sustainability Report into the 2020 Financial Statements (“Integrated Annual Report”) and gave its favourable opinion on the preliminary guidelines on the structure of the Company's first Integrated Annual Report and the preparation of a single document that takes account of financial and non-financial information (ESG) and that will be submitted to the Board of Directors for related decisions;
- ✓ Examined the general layout, completeness and transparency of the Non-Financial Statement referred to in Legislative Decree no. 254/2016, included in the Integrated Annual Report;
- ✓ Examined the new Corporate Governance Code, while assessing its impact on the Committee's work and referring its analyses to the Nomination and Governance Committee;



- ✓ Checked – in agreement with the Control and Risks Committee – the consistency of the Sustainability objectives with the Industrial Plan;
- ✓ Kept watch over the sustainability issues related to the conduct of business activities with specific regard to the regulatory provisions under Legislative Decree no. 254/2016 governing non-financial information and information on diversity issues;
- ✓ Examined Leonardo’s Sustainability Plan for the 2020-2030 period and took a favourable view that the ten-year horizon of the Plan is linked to the need to ensure adequate times for the transformation of the company operations with a view to fulfil the targets underpinning an effective sustainability governance;
- ✓ Checked, on an ongoing basis, the state of work progress of the Sustainability Plan with particular reference to the engagement of the most important Stakeholders, consulted through an online survey by using the Datamaran platform, as well as to the definition of criteria and methods to measure performance indicators (KPIs) instrumental to assessing whether the actions taken are effective for the attainment of sustainability objectives and the implementation of the projects;
- ✓ Acknowledged the completion of the materiality analysis process in order to set out the related priorities, while updating the current materiality matrix that was finally defined in 2018 at the end of the stakeholder engagement process and is in the process of being renewed;
- ✓ Checked, on an ongoing basis, the state of work progress on the projects in the areas of Research, Development and Innovation and the time required to implement the various programmes underway (such as, for example: Leonardo Labs; HPC Project; review of IT and Digital corporate functions; definition of the Digitalisation programme);
- ✓ Acknowledged that the Company had been included in the CDP’s “Climate A List 2020”, a platform that is highly regarded by investors for its leadership in Corporate Sustainability;
- ✓ Examined the results of the Dow Jones Sustainability Index 2020 in which Leonardo was recognised as Industry Leader in the Aerospace & Defence sector.

7. REMUNERATION COMMITTEE

This Committee, in line with the recommendations of the Corporate Governance Code and in line with the recommendation of the **new Code**, is currently composed of 5 Directors, who are all non-executive and most of whom are independent, including the Chairman of the Committee). Such composition complies with the criteria required under art. 13, para. 3, lett. b) of the Consob Regulations on Related Party Transactions, for the purposes of the applicability of the exemption envisaged therein. Moreover, the composition of the Committee is consistent with the recommendation, given in the applicable Code – and confirmed in its new edition - as to the presence



of at least one member in possession of an adequate knowledge and experience in financial or remuneration policy issues, evaluated by the Board at the time of the appointment.

Composition

Attendance

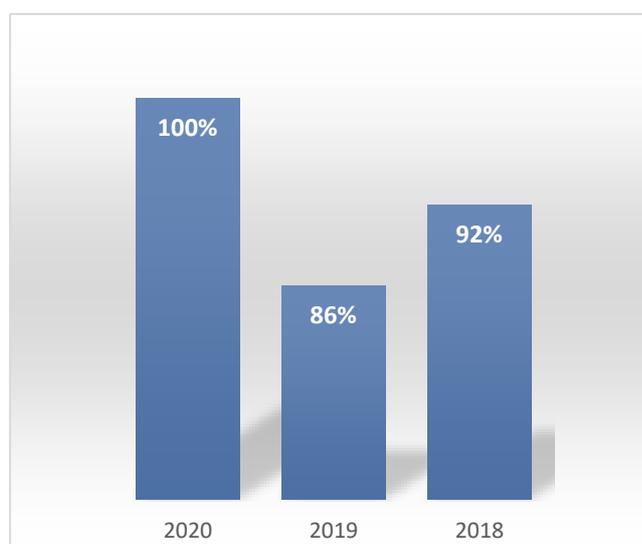
Michela Patrizia Giangualano (1) Chairman	Independent member	no. 4/4 meetings
Elena Comparato (1)		no. 4/4 meetings
Federica Guidi (1)	Independent member	no. 4/4 meetings
Ferruccio Resta (1)	Independent member	no. 4/4 meetings
Marina Rubini	Independent member	no. 7/7 meetings

(1) Member of the Committee from 25 June 2020

Dario Frigerio (2) Chairman	<i>Independent member</i>	<i>no. 3/3 meetings</i>
Marina Elvira Calderone (2)	<i>Independent member</i>	<i>no. 3/3 meetings</i>
Antonino Turicchi (2)		<i>no. 3/3 meetings</i>

(2) Member of the Committee until 20 May 2020

Remuneration Committee
Average attendance at meetings



Meetings

This Committee met no. 7 times in the course of 2020, as well as at the date of the approval of this Report, no. 2 times in the present 2021 financial year. The average duration of the meetings was about one hour and 10 minutes. The Committee meetings and resolutions are duly minuted and its Chairman informs the Board of Directors about these matters at the next possible Board meeting. The Committee also provides the Board with a report on the most significant issues.



The Committee meetings were regularly attended by the members of the Board of Statutory Auditors; they may also be attended by the Chairman of the Board of Directors and the Chief Executive Officer. The Committee's proceedings are also regularly attended by the Manager responsible for the Company's Chief People, Organization and Transformation Officer organisational unit for the issues under his competence. Other persons are invited to participate on the invitation of the Committee through the Chairman and in relation to the issues being discussed, including other members of the Board of Directors and the employees of the Company or Group Companies.

No Director takes part in Committee meetings in which proposals regarding his/her pay are made.

Duties

The duties of this Committee are:

- Submitting its opinion to the Board of Directors as to the definition of the Company's policy as to the fees due to Directors and Managers with strategic responsibilities, in accordance with the current regulations and with the Code;
- Proposing to the Board for the related resolutions and in the implementation of the remuneration policy set out by the same;
 - the compensation and conditions of service of the Directors provided with delegated powers and of the other Directors who hold specific positions (in consultation with the Board of Statutory Auditors where required by Art. 2389 of the Italian Civil Code);
 - the performance targets correlated to the variable component of the remuneration due to Directors provided with delegated powers and of the other Directors who hold specific positions, monitoring the application of any decisions adopted and verifying, in particular, the actual achievement of performance targets;
- assisting the Company in deciding on the best policies for the handling of the Group's management employees, as well as the plans and mechanisms in place for developing the management skills of the Group's key employees;
- considering the management's proposal and giving its opinion on the remuneration Plans based on the assignment of shares or options for the purchase of the Company's shares to the benefit of Directors and executives of the Company and of the Group companies, to be submitted for the evaluation by the Board of Directors and the subsequent approval by the Shareholders' Meeting pursuant to the regulations in force and any related implementing Regulations;
- assessing, on a periodic basis, the adequacy, the overall consistency and the actual application of the remuneration policy for Directors and Managers with Strategic Responsibilities;
- examining, on a preliminary basis, the Report on the remuneration policy and the fees paid.



The activities of the Committee are regulated by appropriate **Rules of Procedures** (available in the Corporate Governance section of the Company's website).

Since it was formed the Committee performed duties it was asked to do as to the remuneration due to Directors and Managers with strategic responsibilities, as well as played a role in support of the Company's top management with regard to some of the primary issues related to the strategic management of the Group's human resources and to staff salary and retention policies.

In this context work commenced on the definition of incentive plans based on performance and growth targets set for the Group's share price and value.

Summary of activities carried out

During the 2020 financial year, the Committee:

- ✓ examined the recommendations of the Corporate Governance Committee and the provisions of Legislative Decree 49 of 10 May 2019 ("SHRD II" implementation) on the Remuneration Policy;
- ✓ acknowledged the conclusion of negotiations for the company supplementary agreement, as well as further issues concerning some industrial areas;
- ✓ analysed the progress of the business activity plan aimed at improving the aspects of the company business resulting from the 2019 People Survey – Speak Your Mind;
- ✓ examined the Short-term Incentive Programme Policy (MBO) for 2020;
- ✓ examined and preliminarily approved the Report on the remuneration policy and the fees paid to be submitted to the Board for the relevant resolutions in view of the 2020 Annual Shareholders' Meeting;
- ✓ satisfied itself that the 2019 objectives assigned to the Chief Executive Officer had been attained within the scope of the Short-term Incentive Plan (MBO) and of the Long-Term 2017-2019 Incentive Plan;
- ✓ set the short-term objectives for 2020 (MBO) for the Chief Executive Officer, giving its opinion to the Board for the related decisions;
- ✓ set the Long-Term Objective for the Chief Executive Officer for the 2020-2022 cycle;
- ✓ examined the Rules of the Long-Term Incentive Plan;
- ✓ satisfied itself about the attainment of the objectives under the Co-investment Plan for the 2017-2019 cycle and established to award and deliver shares free of charge to participants;
- ✓ examined the Leonardo Group's Remuneration Systems;
- ✓ examined the Long-Term Incentive Plan for the 2020–2022 cycle as to the granting of the Plan Premiums, specifying the categories of beneficiaries and the amount of related Premiums, as well as the performance objectives, giving its opinion to the Board for the adoption of related decisions;



- ✓ examined the proposed additions to the awards to the Chief Executive Officer for the remaining period of the cycles in progress, for making additions to the previous awards relating to the 2018-2020, 2019-2021 and 2020-2022 LTIP Plans, giving its opinion to the Board for the adoption of related decisions;
- ✓ examined the guidelines on the choices of the incentive systems on the part of the Proxy Advisors and institutional investors, including in the light of the impacts of the Covid-19 pandemic;
- ✓ examined the Remuneration Policy of the Top Management and analysed a Benchmark on the fees due to the members of the Board of Directors, the Director with delegated powers and the Chairman, as well as a Benchmark on the Remuneration due to the management, asking for additional information.

The Committee also carried out induction activities about different topics within its competence.

In the first months of the current 2021 financial year, the Committee:

- ✓ examined the new Corporate Governance Code, assessing its impact on the Committee's work and referring its analyses to the Nomination and Governance Committee;
- ✓ continued the analysis of Benchmarks on the fees due to the Directors, the Chief Executive Officer, the Top Management and the members of the Board Committees to assess the consistency of Leonardo's Remuneration Policy with strategic and sustainability objectives, while taking account of the guidelines of the New Corporate Governance Code and of the provisions of Legislative Decree no. 49 of 10 May 2019 ("SHRD II implementation") on the Remuneration Policy;
- ✓ examined the guidelines and the approach of the Report on the Remuneration policy and fees paid to be submitted to the Board for related decisions in view of the Annual Shareholders' Meeting in 2021; in this context, the Committee examined the inclusion of ESG indicators in the remuneration system in line with Corporate sustainability plans.

To carry out its activities the Committee makes use of the support from the suitable units of the Company and in particular from the Chief People, Organization and Transformation Officer organisational unit. No specific budget has been prepared for the Committee's activity, without prejudice to the right to make use of external professionals, which the Board has not yet exercised.

8. REMUNERATION OF THE DIRECTORS AND OF THE MANAGERS WITH STRATEGIC RESPONSIBILITIES

General remuneration policy

In accordance with the regulations on the transparency of remuneration under Art. 123-ter of the Consolidated Law on Financial Intermediation, as well as in compliance with the Corporate Governance Code, the Board of Directors takes steps, in an annual basis, following the valuations



made and the proposals and opinions put forward by the Remuneration Committee, to approve the Company's policy on the remuneration of the members of governing bodies, General Managers and of the other Managers with strategic responsibilities, as well as – without prejudice to provisions of Art. 2402 of the Italian Civil Code - of the members of the Surveillance Bodies ("Report on the remuneration policy and fees paid", hereinafter the "[Remuneration Report](#)").

The first section of the abovementioned Report, containing the Company's remuneration policy, as well as the procedures used for the related adoption and implementation, will be submitted (pursuant to Art. 123-ter, paragraph 3-bis, of the Consolidated Law on Financial Intermediation) to the binding voting at the next Shareholders' Meeting called to approve the 2020 Financial Statements.

For any disclosure on the fees paid, on any basis and in any form (even on the part of subsidiaries and associates) to each member of the Board of Directors as well as to the Statutory Auditors, the General Managers and other Managers with strategic responsibilities during the 2020 financial year, reference should be made to the second section of the aforesaid Report, which will be submitted (in accordance with Article 123-ter, paragraph 6, of the TUF) to the Shareholders' meeting for a consultative vote.

The policy adopted – which is summarised in the following points – is the object of a specific and analytical description, in compliance with the information criteria and elements envisaged in the provisions referred to above, in the [Remuneration Report](#), to which reference is made in full for further details, also as concerns the specific [recommendations provided by the Corporate Governance Committee and reported below](#).

The full text of the Report, following the related approval by the Board of Directors, is made available within the time limits and according to the procedures set down by law, also through the publication on the Company's website.

Share-based remuneration plans

In 2020 work was completed on the awards relating to the three cycles of the Long-Term Incentive Plan approved by the Shareholders' Meeting on 15 May 2018 (2018-2020, 2019-2021 and 2020-2022 cycles). For the specific issues of the Plan, reference should be made to the Information Document published on the Company's website.

The new Long-Term Incentive Plan, under definition, presents features that are substantially similar to those of the previous plan and it is also based on financial instruments, with three three-year rolling cycles (starting from 2021, 2022 and 2023). The achievement of the performance targets to which the incentive relates is verified at the end of each three-year period. This Plan confirms the intention to keep on using a tool which encourages management to achieve the medium- and long-term objectives set out in the Group's Industrial Plan, as well as to ensure that related pay is better matched to the creation of shareholder value. The Plan, addressed to Executive Directors, Managers with



strategic responsibilities and a category of “key” managers (primarily consisting of persons occupying the positions which have the greatest impact on the Group’s business), provides for the award, free of charge, of the Leonardo ordinary shares to top positions and a combination of shares and cash (in different proportions according to the levels of the managers concerned) to the remaining Beneficiaries, against the achievement of specific and preset performance targets.

The contents of the incentive plans are described in the Remuneration Report, pursuant to art. 123-ter of the Legislative Decree 58/1998 and in the Information Document pursuant to art. 84-bis of the Issuers’ Regulation, to be published within the time limits and according to the procedures prescribed by law.

Remuneration of Executive Directors and Managers with strategic responsibilities

The fees due to executive Directors and Managers with strategic responsibilities, in order to ensure a correct balancing of the Company’s interests, aimed at attracting, retaining and motivating managers with the necessary skills for an efficient business management and development, on the one hand, and, on the other hand, at ensuring an alignment of the management’s objectives with the creation of value for shareholders in the medium/long term, is determined – including in line with the principles laid down in the **new Code** - by ensuring a balanced pay-mix between the fixed component and the variable one, in relation to the strategic objectives set by the Board of Directors. The remuneration due to Managers with strategic responsibilities is calculated on the basis of their specific responsibilities, which are allocated in compliance with the remuneration policy guidelines adopted by the Company.

In particular, the variable remuneration is structured into a short-term component (which is typically annual) and a medium/long-term component.

For detailed information on the **weight of the variable component** and the **distinction between related components**, reference should be made, as regards the **recommendations provided by the Corporate Governance Committee**, to the Remuneration Report.

For Managers with strategic responsibilities, the **composition of the variable remuneration** is structured so as to provide for **a greater long-term and a smaller short-term incentive in accordance with the Corporate Governance Committee’s recommendations** aimed at **strengthening the link between variable remuneration and long-term performance objectives**.

Short-term variable remuneration is entirely conditional on the attainment of pre-set financial and operating performance targets, based on objectively measurable and verifiable results; moreover, with further reference to the **Committee’s recommendations**, worth noting is the introduction of **objectives relating to the sustainability of the company’s business activities** (as early as from the



2018 financial year). As from the 2019 financial year, **sustainability/ESG issue objectives were extended to all the participants in the short-term incentive scheme.** The **2021 Remuneration Policy** provides for further strengthening the component of Sustainability, through the **introduction of additional objectives linked to the ESG (Environmental, Social, Governance) components.**

For more details, reference should be made to the Remuneration Report.

The medium/long-term variable remuneration policy is implemented with the participation of the executive Directors and of the Managers with strategic responsibilities in the Incentive Plan described in the previous paragraph. As part of the ongoing assessment about long-term incentive systems, **the Company intends to introduce, also in this context, according to structural methods, a component linked to Sustainability, by providing for objectives linked to the ESG components.**

It should be noted that, in accordance with the recommendations set down in the Corporate Governance Code and in line with the **guidelines provided by the Corporate Governance Committee and the new Code**, a **clawback clause** has been long introduced for all variable incentive payments since the 2014 financial year, whereby the Company will be entitled to ask for remuneration to be returned if it has been paid on the basis of data which afterwards prove wrong or false. For more detailed information, reference should be made to the Remuneration Report.

Finally, in making reference to the more specific contents of the Remuneration Report, we confirm that, including with reference to the **recommendations provided by the Corporate Governance Committee, it is the Company's policy not to award discretionary bonuses to Directors, whose incentive is performed through the instruments described above.**

Incentive for the Chief Audit Executive

In accordance with the provisions laid down in the Code, the Board of Directors took steps – at the proposal of the Chief Executive Officer, in his capacity as Director responsible for the internal control and risk management system, and subject to favourable opinion from the Control and Risks Committee, as well as after having heard the Board of Statutory Auditors- to appoint the Chief Audit Executive and set the pay for the position, including its variable incentive pay structure. The proposed remuneration for the position complied with corporate policies and the Board monitored the adequacy of the resources necessary for the Head of this unit to fulfil his/her responsibilities in conformity to the Corporate Governance Code. For more details, reference is made to the Remuneration Report.

Remuneration of Non-executive Directors

The remuneration of non-executive Directors is limited only to the fixed component, which is subject to the decision of the Shareholders' Meeting, and is not linked in any way to the achievement of performance objectives. Therefore, non-executive Directors do not participate in any incentive plan.



To the fixed amount of fees set by the Shareholders' Meeting must be added the fees, set by the Company's Board of Directors, payable for the position as members of the Board's Committees.

With reference to the specific **recommendations made by the Corporate Governance Committee on the adequacy of the remunerations of non-executive Directors and of the members of the control bodies**, the Company carried out analyses, in 2020, concerning the Italian and International practices of interest to Leonardo in order to assess the fairness of the fees set out for non-executive Directors.

Furthermore, within the scope of the self-appraisal process at the end of which the **Board of Statutory Auditors** drafted the Guidelines to the shareholders for the renewal of the monitoring body (as referred to in par. 11 below), the Board carried out **in-depth analyses on the amount of work required to perform the duties as a Statutory Auditor of Leonardo, and sent them to the Company for their inclusion in the Remuneration Report**, to which reference should be made.

With reference to the fees due to the Chairman – again on a fixed basis - as determined (due to the specific powers granted to the same) to supplement the resolutions passed by the Shareholders' Meeting for the Chairman of the Board, reference is made to the Remuneration Report.

Indemnity due to Directors in case of resignation, dismissal without cause or termination of the employment relationship following a takeover bid (under Art. 123-bis, para. 1, lett. i), TUF)

There are no agreements previously entered into between the Company and Directors which provide for indemnities to the benefit of the same in the event of resignation or dismissal without cause or the termination of the employment relationship as a result of a takeover bid.

Instead, with reference to the provisions as to treatments **in case of ceasing to hold office or the early termination of the employment relationship**, reference is made to the specific information provided in the **Remuneration Report**, including as regards the **recommendations provided by the Corporate Governance Committee**.

It should be noted that the Company adopts the recommendations of the Code regarding the disclosures to make when executive Directors or General Managers leave their position or terminate their employment. The Company took steps to provide specific and timely disclosures to the market, following the terminations of the employment relationship occurred in the prior years, in order to ensure the utmost transparency because the information is disclosed before the publication of the Remuneration Report.



9. CONTROL AND RISKS COMMITTEE

The Control and Risks Committee, more than meeting the recommendations of the Corporate Governance Code and of the **new Code**, is at present composed of five Directors who are all non-executive and independent.

<i>Composition</i>		<i>Attendance</i>
Dario Frigerio (1) Chairman	Independent member	n. 4/4 meetings
Pierfrancesco Barletta (1)	Independent member	n. 4/4 meetings
Paola Giannetakis (1)	Independent member	n. 4/4 meetings
Maurizio Pinnarò (1)	Independent member	n. 4/4 meetings
Marina Rubini (1)	Independent member	n. 4/4 meetings

(1) Member of the Committee from 25 June 2020

Paolo Cantarella (2) Chairman	<i>Independent member</i>	<i>n. 3/3 meetings</i>
Guido Alpa (2)	<i>Independent member</i>	<i>n. 3/3 meetings</i>
Luca Bader (2)	<i>Independent member</i>	<i>n. 3/3 meetings</i>
Fabrizio Landi (2)	<i>Independent member</i>	<i>n. 3/3 meetings</i>
Silvia Merlo (2)	<i>Independent member</i>	<i>n. 3/3 meetings</i>

(2) Member of the Committee until 20 May 2020

The composition of the Committee is consistent with the recommendation, made by the Code, as to the presence of at least one member who must have an adequate experience in accounting and financial or risk management issues, evaluated by the Board at the moment of the appointment. Moreover, **in line with the recommendations of the new Code, the Committee as a whole has an adequate expertise in the sectors in which the Company operates.**

In consideration of the renewal of the term of office (as more detailed in par. 4.3 above), during the second half of 2020 the Company also ensured an induction work on an ongoing basis in favour of the new Directors on the organisation, structure and businesses of Leonardo. During the first meeting of the Committee, the Group General Counsel and the Chief Audit Executive also organised – to the benefit of the new members of the body – a specific induction work on the functioning and duties of the Control and Risks Committee, as well as on the internal control and risk management system of Leonardo.



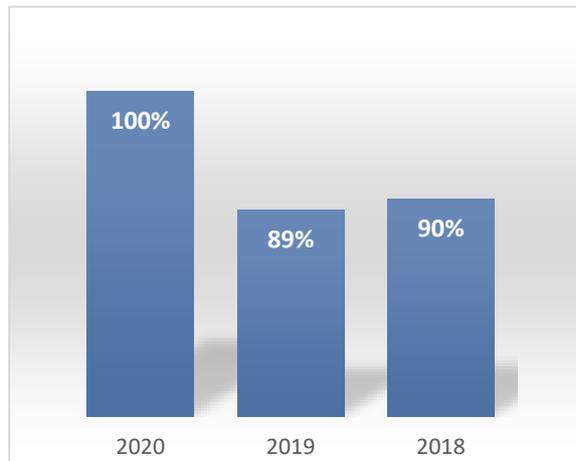
Meetings

During the 2020 financial year, the Committee met no. 7 times; the average duration of the meetings was about two hours and fifty minutes. In the current 2021 financial year, at the date of approval of this Report, the Committee met no. 5 times.

The members of the Board of Statutory Auditors, the Chief Audit Executive and the Group General Counsel are involved in the Committee’s work on an ongoing basis; the Chairman and the Chief Executive Officer may also take part. On the invitation of the Committee through the Chairman and in relation to the items on the agenda, the meetings may also be attended by other persons, including the members of the Board and the employees of the Company or of Group companies. Again on the invitation of the Committee in relation to the issues dealt with, some meetings are attended by the first-level Managers of the Corporate Center and the Division Managers.

The Committee’s meetings and resolutions are duly minuted and reported by the Chairman of the Committee to the Board of Directors at the first possible meeting. Finally, during the financial year, some meetings were held at the same time as those of the Board of Statutory Auditors.

C.R.C. – Average attendance at meetings



Duties

The activities of the Control and Risks Committee are regulated by **Rules of Procedures** approved by the Board of Directors, which are available on the Company’s website (Corporate Governance section). The Committee supports the assessments and decisions made by the Board in relation to the internal control and risk management system (“SCIGR”), as well as those relating to the approval of periodic reports.

The Committee hands down a preliminary opinion to the Board of Directors:



- on laying down the lines to be taken by the internal control and risk management system and the determination of the extent to which the system can cope with the main risks - concerning the Company and its subsidiaries - while managing business consistently with strategy objectives;
- on assessing, at least once a year, the adequacy of the internal control and risk management system (also concerning those risks that may be relevant to the medium- and long-term sustainability) to the Company's characteristics and the risk factor accepted, as well as its efficacy;
- on the approval, at least once a year, of the work plan prepared by the Chief Audit Executive;
- on appraising the final comments made by the Independent Auditing Firm if it has submitted a letter of recommendations (if any) and the report on the main issues that arose at the time of the statutory audit of accounts;
- in connection with the appointment and removal of the Chief Audit Executive and on setting the remuneration of the person concerned in conformity to Company policy.

In particular, as regards the activities carried out by the Committee as to the assessment of the adequacy of the internal control and risk management system (SCIGR) with respect to the characteristics of the company and to its risk profile, as well as of its effectiveness, reference is made to paragraph 10 below.

The Committee, within the framework of its activity of assistance and support to the Board of Directors, specifically performs the following duties:

- a) together with the Officer in charge of financial reporting and after having heard the Independent Auditing Firm and the Board of Statutory Auditors, assessing the correct use of the accounting standards, as well as their uniformity in preparing Consolidated Financial Statements;
- b) expressing opinions on specific issues pertaining to the identification of the main business risks;
- c) examining the periodic reports concerning the assessment of the internal control and risk management system, as well as any reports of particular importance prepared by the Group Internal Audit organisational unit;
- d) monitoring the independence, adequacy, effectiveness and efficiency of the Group Internal Audit organisational unit; the Committee itself oversees its activities should operating powers be granted to the Chairman of the Board;
- e) being entitled to ask the same Group Internal Audit organisational unit to carry out checks on specific operating areas, giving notice thereof, at the same time, to the Chairman of the Board of Statutory Auditors;



- f) reporting on the activity carried out to the Board of Directors at least on a six-monthly basis and, in any case, on the occasion of the approval of the draft Separate Financial Statements and of the half-year financial report, as well as on the adequacy of the internal control and risk management system (SCIGR);
- g) supporting, through appropriate inquiries, the evaluations and decisions of the Board of Directors related to the management of those risks deriving from harmful events of which the Board became aware;
- h) in agreement with the Sustainability and Innovation Committee and in coordination with the latter, verifying the pursuit of the objectives of the Sustainability Plan;
- i) performing such additional duties as may be assigned to it by the Board of Directors.

The Control and Risks Committee also performs functions as Committee for Related Parties Transactions, pursuant to the Procedure for Related Parties Transactions which was approved by the Board of Directors of the Company pursuant to the relevant Consob Regulation (which was adopted by Resolution no. 17221 of 12 March 2010, as amended and supplemented).

To carry out its duties, the Committee seeks support from the Company's appropriate functions in particular from the organisational units that refer to the Group General Counsel and to the Chief Audit Executive. In performing its duties, the Committee may also seek assistance from the outside professionals, provided they are contractually bound by the necessary confidentiality and are not in such a situation as to impair their independence of judgment. Furthermore, the Committee is entitled to access any necessary information to perform its duties and makes use of the Company's organisational units. Consequently, while it retains the right, mentioned above, to make use of services provided by outside professionals, it has not been necessary to arrange for a special budget for the Committee's activities.

For a full description of the activities carried out by the Committee within the framework of the internal control and risk management system (SCIGR), reference is made to paragraph 10 below.

Summary of activities carried out

The main issues dealt with by the Committee during 2020 and in the first months of the current financial year are reported below:

- ✓ continued the process to check the operations of the internal control and risks management system of Leonardo and of the main subsidiaries; specifically, it supported the Board of Directors in appraising the system's effectiveness, making arrangements (in addition to the permanent presence of the Head of the Group Internal Audit - Chief Audit Executive and of the Group General Counsel) for:
 - periodic meetings (approximately six-monthly) with:



- The other main “players” involved in the internal control and risk management system (SCIGR), each within the sphere of related responsibilities (Chief Risk Officer; CFO - Officer in charge of Financial Reporting; Chief People Organization and Transformation Officer – CPOTO; Independent Auditors), mainly dealing with aspects related to the system’s operations;
- The Surveillance Body, to examine – together with the Board of Statutory Auditors – the work done during the year (based on the Surveillance Body’s half-year reports), analysing issues of mutual interest in relation to the activities carried out;
- periodic meetings (approximately annually) with:
 - Division Managers and the Heads of the Corporate Center’s first-level organisational units in relation to those issues that are of particular and specific importance to the internal control and risk management system (SCIGR);
 - ad hoc meetings with the other Heads of organizational units to meet specific needs, in order to receive updates on the activities performed within the sphere of related responsibilities, on the existing risks and on the instruments used to mitigate their effects;
- ✓ examined the Work Plan prepared by the Chief Audit Executive, the Reports issued by the Group Internal Audit organisational unit as to the activities carried out during the period, the results of monitoring the implementation of corrective actions planned in relation to the findings noted, as well as the progress of the audit activities carried out by the mentioned organisational unit;
- ✓ examined, on a six-monthly basis, the Reports of the Group Internal Audit organisational unit on the activity carried out;
- ✓ monitored the independence of the Chief Audit Executive and the efficacy, efficiency and adequacy of the related organisational unit;
- ✓ examined the results of the quality controls carried out in 2020 on the activities of the Group Internal Audit organisational unit, together with the new Quality Plan for 2021;
- ✓ discussed the obligations of Italian publicly listed companies that have controlling interests in companies based in non-EU countries (pursuant to Art. 15 of Consob’s Market Regulation no. 20249/2017²), and noted that the administration and accounting system responsible for the Financial Reporting process functions effectively and that it essentially meets the requirements of Art. 15, and therefore no special plan to bring it into compliance is needed;
- ✓ examined the method adopted to conduct impairment tests with the support of the CFO;
- ✓ met the Chief Risk Officer, discussing the Company’s main risks;
- ✓ read the Whistleblowing Committee’s reports of its work;

² Formerly Art. 36 of Market Regulation no. 16191/2007, fully replaced by the Regulation approved by Consob Resolution no. 20249 of 28 December 2017, as amended and supplemented.



- ✓ held periodic meetings with the Independent Auditors;
- ✓ met the Data Protection Officer in order to examine the progress of the activities implemented by the Company by virtue of the European regulations on privacy;
- ✓ examined – in agreement with the Sustainability and Innovation Committee - the method of preparing and the draft of the Non-Financial Statement under Legislative Decree no. 254/2016 included in the Integrated Report, assessing in particular the parts relevant for the purposes of the SCIGR;
- ✓ received from the Chief Financial Officer, the Group General Counsel and the Chief People, Organization and Transformation Officer periodical updates on the main disputes of the Group and on the possible accounting effects for the purposes of complying with the requirements related to the preparation of the Annual Financial Report and of the Half-year Financial Report;
- ✓ reported on its work to the Board of Directors every six months.

The Committee also reviewed the preparation of the Half-year Report and the Annual Financial Report, meeting with the Independent Auditing Firm to discuss the matter, and issued special reports to the Board of Directors on its conclusions.

Finally, the Committee assessed the adequacy of the accounting standards used and their uniformity for the purposes of preparing the Annual and Half-Year Reports.

As regards the functions performed in the capacity as Committee for Related Parties Transactions, it should be noted that – according to the current Procedure adopted by the Company in this regard - the Committee receives, during the financial year, flows of information concerning in particular the transactions of greater importance regulated by the Board Procedure, the execution of the transactions of greater importance which have been exempted under the provisions for ordinary transactions and which must be concluded on conditions equivalent to market or standard terms, as well as targeted information regarding specifically significant transactions.

10. INTERNAL CONTROL AND RISK MANAGEMENT SYSTEM

The Rules of Procedure of the Board of Directors and of the Control and Risks Committee adopt the provisions laid down in the Code in relation to the internal control and risk management system (“SCIGR”), taken as the combination of rules, procedures and organisational structures whose purpose is the identification, assessment, management and monitoring of the main risks.

The system outlined in this manner provides for the Board of Directors to play a general role of guidance and assessment of the adequacy of the internal control and risk management system (SCIGR); specifically, subject to the opinion of the Control and Risks Committee, the Board of Directors:



- a) defines the guidelines for the internal control and risk management system (SCIGR), so that the main risks involving the Company and its subsidiaries are correctly identified, as well as satisfactorily assessed, managed and monitored, also defining the degree of compatibility of these risks with a management of the enterprise consistent with the identified strategic objectives;
- b) assesses, at least on an annual basis, the adequacy of the internal control and risk management system (SCIGR) (also concerning those risks that may be relevant to the medium- and long-term sustainability) with respect to the characteristics of the enterprise and to the assumed risk profile, as well as its efficiency; the results of this assessment are disclosed in the Corporate Governance Report on an annual basis;
- c) approves, at least on an annual basis, the work plan prepared by the Chief Audit Executive (Head of the Group Internal Audit organisational unit), after having heard the Board of Statutory Auditors and the Director in charge of the internal control and risk management system;
- d) assesses, after having heard the Board of Statutory Auditors, the results presented by the independent auditors in the letter of recommendations (if any) and in the report on the main issues that arose at the time of the statutory audit of accounts;
- e) appoints and dismisses the Chief Audit Executive, sets the related remuneration in line with the corporate policies and ensures that the same is provided with the resources to perform the related duties.

In this regard, the Board of Directors, with reference to the activities referred to in the aforesaid points a), and b) and subject to the favourable opinion of the Control and Risks Committee issued on 8 March 2021, took steps - in its meeting held on 9 March 2021 – to approve the “Guidelines for the internal control and risk management system”, as well as to assess the adequacy of the same with respect to the characteristics of the enterprise and to the risk profile, after the periodic definition of the risk nature and level compatible with the Company’s strategy objectives. As regards the activities referred to in point c) above, the Board of Directors – in the meeting scheduled to be held on 24 March 2021 – will approve the Audit Plan, subject to a favourable opinion given by the Control and Risks Committee and after having heard the Board of Statutory Auditors, as well as the Director in charge of the internal control and risk management system. Specifically, in this regard, the Board of Directors of Leonardo will be required to approve the Company’s 2021 Audit Plan and to acknowledge the 2021 Aggregated Audit Plan of the Leonardo Group.

In line with the guidelines laid down in the Corporate Governance Code, the Board of Directors took steps, on a proposal by the Director responsible for the internal control and risk management system, subject to a favourable opinion given by the Control and Risks Committee and having heard the



Board of Statutory Auditors, to set the remuneration of Mr Marco Di Capua, the Chief Audit Executive of Leonardo, monitoring the adequacy of the resources to perform his duties.

In addition to the Board of Directors and to the Control and Risks Committee, the main persons involved in Leonardo's internal control and risk management systems are:

- Director in charge of the internal control and risk management system;
- Chief Audit Executive (Head of the Group Internal Audit organisational unit);
- Chief Risk Officer (Head of the Risk Management organisational unit);
- Chief Financial Officer - Officer in charge of financial reporting pursuant to Law no. 262/05;
- Surveillance Body formed as per Legislative Decree no. 231 /2001;
- Board of Statutory Auditors;
- Group General Counsel.

For a brief picture of any criminal proceedings that are currently pending against Leonardo S.p.a. for various reasons or which have come to its attention because they involved subsidiary companies, with specific regard to the events that occurred in 2020 and in early 2021, reference is made to the specific disclosures provided in the notes to the financial statements (see paragraph "Provisions for risks and charges and contingent liabilities") of the 2020 Integrated Annual Report, which can be found in the Investors section of the website.

In the course of 2020, a more thorough assessment of the efficacy and adequacy of the internal audit system was also performed with regard to the proceedings brought by the Judicial Authority, involving the subsidiary companies for various reasons.

The Board of Directors, the Board of Statutory Auditors, the Control and Risks Committee and the Surveillance Body of Leonardo were kept duly informed about said events.

As already reported, the Board of Directors confirmed the evaluation of the suitability of the organisational, administrative and accounting structure of the Company, as well as of any subsidiaries having strategic importance, with specific reference to the internal control and risk management system. The Company also continued the complex and detailed process of reviewing its internal rules.

* * *

Finally, paragraph 15 below should be referred to for information on the additional organisational measures and corporate governance strengthening initiatives which the Company put in hand, including the **whistleblowing** rules ("**Whistleblowing Management Guidelines**") that it has adopted in order to ensure the effectiveness of the internal system for reporting irregularities, in line with national and international best practices, as well as the instructions provided, with specific reference to the company belonging to the FTSE-Mib index, in the Corporate Governance Code.



10.1. INTERNAL CONTROL AND RISK MANAGEMENT SYSTEM AS RELATED TO THE PROCESS OF FINANCIAL REPORTING

The Internal Control over Financial Reporting (hereinafter ICFR) system is defined as the set of activities aimed at identifying and evaluating the actions or events that, when occurring or failing to occur, could compromise, in whole or in part, the achievement of the objectives of reliability, accuracy and timeliness of financial reporting.

Within Leonardo, there is a specific internal audit system governing the financial reporting process that has been defined in accordance with the principles issued by the Committee of Sponsoring Organisations (CoSO Report) of the Treadway Commission, as well as the Control Objectives for Information and related Technology (COBIT). The abovementioned internal control system is made up of an organic and complete set of administrative and accounting procedures (narratives) which clearly define the corporate processes that have direct or indirect accounting effects on the accounts and on any other financial reports, describing the activities, the controls, the roles and the responsibilities, as well as the information and documentary flows in support of the creating process of the financial reporting.

Moreover, a specific component to manage the risks of fraud is integrated into ICFR. In particular, the administrative and accounting procedures are updated, including an additional set of anti-fraud controls and additions to the already existing controls, in accordance with the provisions under Auditing Standard no. 5 “An Audit of Internal Control Over Financial Reporting That is Integrated With An Audit of Financial Statements”, issued by the Public Company Account Oversight Board (PCAOB). It puts, among the other things, particular emphasis on the checks related to the prevention, identification and detection of fraudulent activities, to be intended as acts capable of generating misrepresentation from a financial, capital and economic point of view in the Financial Statements or of misappropriating the corporate assets. These antifraud checks are tested within the framework of usual monitoring activities according to the plan defined by the Officer in Charge of Financial Reporting. In addition, the Officer in Charge of Financial Reporting starts further specific monitoring aimed at reporting intentional and unintentional errors or significant deficiencies in the ICFR system.

As a whole, the management of the ICFR system developed by Leonardo features the following general stages:

- **Risk identification and assessment**

The risk assessment (Financial Risk Assessment) is the set of activities aimed at identifying and assessing any actions or events, whose occurrence or absence may compromise, in whole or in part, the achievement of the ICFR objectives and, specifically, the reliability of financial



reporting. Within the framework of risk assessment, particular attention is paid to the fraud risk assessment, identifying and assessing any conditions (risk factors) that could increase the risk of frauds within the Company.

Risks identification and assessment are identified by considering the likelihood that an event will occur and its potential impact on the Financial Statement items, without taking account, from a prudential perspective, of the existence of controls aimed at reducing the risk to acceptable levels.

- **Assessment of the adequacy of related control**

On the basis of analyses of potential (Financial and Fraud) risks, control measures have been identified which are aimed at mitigating the same. The adequacy of the control measures is assessed on the basis of their ability to reduce risks, with reasonable certainty, to acceptable levels.

The defined controls are attributable to the following macro-types:

- Process Level Controls;
- Entity-Level Controls which, as controls that apply to the entire organisation since they are common and cut across it, are structural elements of the ICFR system;
- IT General Controls (ITGC) within the context of the IT Governance process;
- Controls aimed at guaranteeing the segregation of duties and roles assigned to the different members of the corporate organisation.

- **Check the operations of the internal control system and specific monitoring**

In order to check and ensure the operations of the system for internal control on financial reporting, specific testing and monitoring activities are expected to be carried out by independent third parties (Group Internal Audit).

The test plan defined by the Officer in Charge of Financial Reporting provides for checks to be carried out, on a turnover basis, on all the control components of the ICFR system of Leonardo; specifically:

- any controls that are considered to be “key” tests as defined in the narratives (PLC) are tested on an annual basis with a six-monthly turnover, in order to ensure that all the processes mapped within administrative and accounting procedures are covered during the year;
- the correct segregation of incompatible roles (SoD) is tested on an annual basis;
- ITGC components that are considered to be necessary to ensure adequate control over applications and the infrastructure are tested on an annual basis; ITGC components that are not subject to systematic changes, as they pertain to structural aspects of the company (e.g. organisation, policy, etc.), are tested on a quarterly basis, on a turnover basis, and in any case, on the occasion of significant changes;



- audits on Entity-Level Controls, i.e. controls performed across the Company and form the internal control system, are conducted on an annual and rotation basis, and in any case on the occasion of significant changes.

Furthermore, to integrate the control model, specific monitoring activities are envisaged which are aimed at reporting the existence of possible intentional and unintentional errors and/or significant deficiencies in the ICFR system (so-called Detection Audit). This activity is carried out on a turnover basis according to a “Top-down-risk based” approach, which allows the application of controls starting from any areas at highest risk; furthermore, the activity is also carried out in relation to specific events, including, but not limited to, organisational changes or reports, such as to presuppose the presence of fraudulent acts or significant deficiencies.

The responsibilities for establishing and maintaining the ICFR, on the whole, are governed and distributed throughout the organisation. In particular, Leonardo’s model currently calls for the involvement of the following corporate positions:

- **Governing body to which authority has been delegated.** This refers to the Chief Executive Officer.
- **Officer in charge of financial reporting.** Reference is made to paragraph 10.6 below.
- **Financial Reporting Manager (FRM) responsible for the financial information provided to the Group Parent.** To comply with Law no. 262/2005, within the major companies of the Group, the Boards of Directors, after having heard the opinion of the Officer in Charge of Financial Reporting of Leonardo and of the Board of Statutory Auditors of the company concerned, have appointed a Financial Reporting Manager (FRM) responsible for the financial information provided to the Group Parent, with the task of supporting the Officer in charge of Financial Reporting of Leonardo in the performance of the relevant duties.

The Financial Reporting Manager (FRM) responsible for the financial information provided to the Group Parent has the following duties:

- developing and updating for each Group company administrative and accounting procedures (narratives), on the basis of the instructions received from the Officer in charge of financial reporting of Leonardo, underlying the financial reporting process in order to ensure that the financial reporting process is suited to the preparation of reliable consolidated annual and interim Financial Statements and is in line with the actual operations of the company concerned;
- defining and implementing any plans for improvement;
- attesting, with respect to the Officer in charge of financial reporting of Leonardo, together with the delegated Governing Body of the relevant Company, to what is requested by the Parent



Company in relation to the internal control system for the governance of the financial reporting process and the preparation of accounting documents.

- **Group Internal Audit organisational unit of Leonardo S.p.a.** The Officer in charge of financial reporting has entrusted the Group Internal Audit organisational unit with responsibility for “independently” assessing the functioning of the ICFR. The Group Internal Audit organisational unit, through its Corporate and Financial Audit organisational unit, conducts tests of the actual application of the administrative and accounting procedures in place within the Group, based on indications provided by the Officer in charge of financial reporting. These tests are conducted through a specific working group operational plan which also lays down their methods, procedures and timing to conduct tests in order to establish whether the controls are functioning effectively. The results of the tests conducted for each Division and Group company falling within the scope of application of Law no. 262/2005 are submitted to the management of the same, which promptly defines adequate plans of action relating to any possible area for improvement. The Group Internal Audit organisational unit provides the results and related plans of action to the Officer in charge of Financial Reporting in due time in order to allow him to conduct an overall assessment of the adequacy and actual application of the administrative and accounting procedures followed in preparing the Half-year Financial Report, the Integrated Report and the Consolidated Financial Statements, for the purposes of the issue of the certifications prescribed by Law.

Within the monitoring plan for 2020 for the purposes of the Half-year Financial Report and the Integrated Annual Report, Leonardo conducted both periodic monitoring activities (PLC test, SoD, ITGC test) and specific monitoring activities on the process of “Sales cycle”, in relation to its own Divisions and Group companies that fall within the scope of application of Law no. 262/2005. Furthermore, some controls were carried out at Company level in order to monitor the internal control area (Entity Level Control/IT General Control).

In consideration of the organisational structure consisting of Divisions, the governance structure adopted by Leonardo centralises the system of guidance and control in the Corporate Centre and at the same decentralises business management to the Divisions.

Therefore, with reference to the Divisions and Group companies falling within the scope of application of Law no. 262/05, tests were conducted during 2020 on about 1,720 controls, divided in detail among the following components of the ICFR:

- 1,185 controls at process level, as defined in the narratives (the so-called Process Level Control);
- 427 controls relating to the operation and management of IT systems (the so-called IT General Control);



- 108 controls at “Entity” level in relation to the structure and organisation of the individual companies (the so-called Entity Level Control);
- specific checks on compliance with rules governing the correct segregation of roles and duties (SoD) with regard to the IT systems concerning the ICFR control system.

The tests have confirmed the efficacy of the control measures while, in the case of ineffective controls, they confirmed the overall efficacy of the procedures in place to monitor the risk areas under examination, thanks to the existence and operation of compensating controls and/or the performance of substantive testing.

With reference to the specific monitoring activities within the process of “Sales Cycle”, for Leonardo Global Solutions Spa, Leonardo MW Ltd, Agusta Westland Philadelphia Corporation, PZL-Świdnik S.A. and the Corporate, Helicopters, Electronics (including the Defence Systems Business Unit), Cyber, Aircraft and Aerostructures Divisions, the controls provide for the following operating macro-phases:

- *Analysis and Mapping:*
 - preliminary analysis of available documentation and of macro-phases in scope, as well as the identification of IT systems in support of the process to be analysed, in order to identify the information set in relation to which the subsequent analyses must be carried out.
- *Scoping and data processing:*
 - the definition of analyses and correlations to be used for processing data and for extrapolating inconsistencies/potential anomalies (if any);
 - the application of risk indicators (Key Risk Indicators) to the database identified during the mapping phase and made up of the process transactions recorded in the IT systems in the period under consideration; these indicators have been developed on the basis of the fraud patterns identified within the Fraud Risk Assessment.
- *Test:*
 - the analysis of any anomalies identified after the scoping phase and data processing, in order to identify the so-called “False Positives”, if any, (justified exceptions) and/or evident errors;
 - performance of documentary tests for any anomalies in relation to which additional analyses have been considered necessary.
- *Reporting:*
 - the presentation of results to the process owners and preparation of the final report for the Officer in charge of Financial Reporting.

February 2021 saw the completion of the specific monitoring activities on the “Sales Cycle” process, together with the presentation of the related results.



10.2. DIRECTOR IN CHARGE OF THE INTERNAL CONTROL AND RISK MANAGEMENT SYSTEM

The Chief Executive Officer also holds the position of Director in charge of the internal control and risk management system (SCIGR) (“Director in charge”), which is responsible for the implementation and maintenance of an effective system.

In particular, the Director in charge:

- a) identifies the main corporate risks, in light of the features of the activities carried out by the Company and its subsidiaries, and submits them to the scrutiny of the Board periodically;
- b) implements the guidelines defined by the Board and takes care of the planning, creation and management of the internal control and risk management system (SCIGR), constantly verifying its overall adequacy, efficacy and efficiency;
- c) sees that the system is adjusted in response to changes in operational conditions and the legislative and regulatory framework;
- d) may ask the Group Internal Audit organisational unit to carry out controls on specific operating areas and to check for compliance with internal rules and procedures in performing business operations, at the same time giving notice thereof to the Chairman of the Board, the Chairman of the Control and Risks Committee and to the Chairman of the Board of Statutory Auditors;
- e) promptly reports to the Control and Risks Committee or to the entire Board as to problems and critical issues arisen in performing his duties or of which he has become aware, so that the Committee or the Board may take any appropriate actions.

The Director in charge of the internal control and risk management system of Leonardo S.p.a. prepared the identification of the main corporate risks on which basis the Board of Directors, upon favourable opinion of the Control and Risks Committee, defined the “Guidelines for the internal control and risk management system” (see para. 10).

Through the *Risk analysis* process, supported by the Risk Management o.u., risk owners have identified, assessed and tackled corporate risks, along with establishing the related hedging degree. Within Leonardo’s organisational model the central **Risk Management** structure (see par. 10.6) operates in close collaboration with the other central and divisional corporate functions with the aim to support the creation and protection of the projects’ value and to preserve the company’s value, business operations and the stakeholders’ interests.

The Guidelines for the internal control and risk management system (SCIGR) expressly report:

- i) the methodological tools for the identification, assessment, management and monitoring of the main risks;
- ii) the process aimed at identifying, assessing and managing the Leonardo Group’s risks, divided based on their related type as follows:



- 1) *Compliance risks*: arising from the performance of ordinary business operations, which relate to the failure by the business activities to comply with the relevant contractual clauses, laws, regulations and rules; this non-compliance may cause the company to incur administrative and criminal sanctions, as well as to affect the company's image and its operations themselves.
- 2) *Strategic risks*: with impacts on the degree of success of the Company's strategies, the processes' ability to achieve the objectives defined by Top Management and the Company's image.
- 3) *Operating risks*: concerning ordinary business operations with impacts on the efficacy and efficiency of the various corporate areas / processes.
- 4) *Financial risks*: arising from the performance of ordinary business operations, which affect economic and financial figures within the management of accounting and reporting, taxation, cash and credit.
- 5) *Project risks*: a substantial part of the Group's transactions consists of medium- and long-term contracts for the supply of products and services; the aforesaid risks expose it to lower profits or losses in addition to liability to customers for delays in performance or non-compliance with contractual requirements.

The management of the Leonardo Group's companies assesses the risks, considering the impact and the probability of their occurrence, and using qualitative and quantitative techniques.

10.3. CHIEF AUDIT EXECUTIVE

The Board of Directors has taken steps to appoint Mr Marco Di Capua as the Chief Audit Executive of Leonardo, on a proposal by the Director responsible for the internal control and risk management system, subject to the favourable opinion of the Control and Risks Committee and having heard the Board of Statutory Auditors.

The Board of Directors ensures that the Head of the Group Internal Audit organisational unit (Chief Audit Executive – "CAE"), appointed to verify that the internal control and risk management system is operational and adequate, is provided with adequate resources to fulfil his responsibilities and defines his fees, in accordance with the Company's policies, as well as with the duties assigned to the same. The Board, after having obtained the favourable opinion of the Control and Risks Committee and heard the Board of Statutory Auditors, monitored the adequacy of the resources to fulfil his responsibilities and other operational conditions of the Internal Audit function, on the basis of the CAE's statements concerning the organisational positioning and the confirmation of the independence of the GIA organisational unit. The Group Internal Audit organisational unit, which reports to Leonardo's Board of Directors, has the responsibility for supporting the Board of Directors,



the Director in charge of the internal control and risk management system, the Control and Risks Committee and the Board of Statutory Auditors of Leonardo S.p.a., as well as the Boards of Directors and Boards of Statutory Auditors of the Group Companies not included in the divisional perimeter, in making assessments of the adequacy and effective functioning of the internal control and risk management system of the Group. This organisational unit is also responsible for conducting tests, on behalf of the Officer in charge of Financial Reporting, for compliance purposes under Law no. 262/2005 and assisting, by delegation, the Surveillance Body of Leonardo S.p.a. in carrying out its audit work involving sensitive processes as per Legislative Decree 231/2001.

Specifically, as specified in the Rules of Procedure, the Chief Audit Executive:

- a) checks, both on an on-going basis and in relation to specific needs and in accordance with international standards, the operations and suitability of the internal control and risk management system, through an Audit plan approved by the Board of Directors, based on a structured process of analysis and prioritisation of the main risks;
- b) he is not responsible for any operating area and reports to the Board of Directors and, through the same, to the Chairman, or, should the latter be granted delegated operating powers, to the Control and Risks Committee and, through it, to the Chairman of the Committee itself;
- c) he has direct access to all useful information to perform his duties;
- d) he prepares any periodic reports containing adequate information on his activity, on the procedures according to which the risk management is carried out, as well as on the compliance with any plans defined to limit them; the periodical reports contain an assessment of the suitability of the internal control and risk management system;
- e) he promptly prepares reports on events of particular importance;
- f) he forwards the reports referred to in points d) and e) to the Chairmen of the Board of Statutory Auditors, of the Control and Risks Committee and of the Board of Directors, as well as to the Director in charge of the internal control and risk management system;
- g) he checks, within the framework of the Audit Plan and the text activities under Law no. 262/2005, for the reliability of the IT systems, including accounting systems.

In 2020 and in the first months of the current year, the Chief Audit Executive coordinated, in short, the following main activities:

- performing audits and monitoring the action plans deriving from previous controls, at Leonardo and at the companies that fall within the scope of the consolidation, on the basis of the aggregate 2020 Audit Plan;
- performing special audits concerning both Leonardo and its subsidiaries;



- presentation of the Quality Assurance Plan of the Group Internal Audit organisational unit and of the related Report concerning the activities carried out in 2020, in order to maintain the Quality Certification;
- performing tests and Detection Audit activities for the purposes of compliance with Law no. 262/2005 at Leonardo and at the companies falling within the perimeter, on behalf of the Officer in Charge of Financial Reporting;
- providing support to control and surveillance Bodies and, specifically as regards the Surveillance Body of Leonardo, and performing checks included in the Company's Audit Plan, on the basis of the specific mandate received;
- participating in the meetings of the Surveillance Body and of the Coordinating and Consultative Body for the prevention of corruption (see para. 15 below), while the Secretary's office work is the responsibility of the internal staff of the Group Internal Audit organisational unit. In this regard, it should be noted that the Board of Directors' Meeting of 17 December 2015 appointed the Chief Audit Executive as *pro tempore* regular member of the Surveillance Body in order to integrate the Board's members;
- participating in the meetings of the Whistleblowing Committee, as a regular member, where the Secretariat of the Committee is composed of internal resources of the Group Internal Audit organisational unit, as well as performing verifications required by the Committee.

The Chief Audit Executive, in order to carry out his duties, has financial resources included in the Group Internal Audit organisational unit's budget, which is annually submitted to the Control and Risks Committee and to the Board of Directors.

10.4. ORGANISATIONAL MODEL AS PER LEGISLATIVE DECREE 231/2001

Legislative Decree no. 231/2001 introduced, into the Italian legal system, a regime of administrative liability against Entities, for certain types of offences committed in the interests or to the benefit of the same. The Company has adopted appropriate measures to prevent it from incurring any criminal liability through the establishment of specific regulatory systems aimed at preventing the commission of any offences contemplated by this Decree on the part of Directors, Statutory Auditors, management, employees, collaborators, or any other party having relationships of any nature with Leonardo S.p.a., either with or without valuable consideration.

On 12 November 2003, the Board of Directors of the Company adopted its own **Organisational, Management and Control Model as per Legislative Decree 231/2001** (hereinafter also referred to as the "Organisational Model"), updated with resolution of 17 December 2020. The update has concerned the organisational changes that have occurred recently, as well as the most recent developments in regulations as per Legislative Decree no. 231/2001, including:



- the provisions laid down in Law no. 157/2019, which, in particular, introduced Article 25-*quinqüiesdecies* ("Tax crimes") and, specifically, the following predicate offences: "Fraudulent declaration through the use of invoices or other documents for non-existent transactions"; "Fraudulent declaration through other artifices"; "Issuance of invoices or other documents for non-existent transactions"; "Concealment or destruction of accounting documents"; "Fraudulent tax evasion";
- the amendments brought in by Legislative Decree no. 75/2020, on the "Implementation of Directive (EU) 2017/1371 on the fight against fraud to the Union's financial interests by means of criminal law" ("PFI Directive"), with regard to, among others: Article 24 of Legislative Decree no. 231/2001: extension of the crime of "Fraud" committed to the detriment of the European Union; the introduction of crimes of "Fraud in public supplies", again to the detriment of the European Union, and "Fraud in agriculture"; Article 25 of Legislative Decree no. 231/2001: the introduction of crimes of "Embezzlement", "Embezzlement by profiting from others' errors" and "Abuse of office", when the act offends the financial interests of the European Union; Article 25-*quinqüiesdecies* of Legislative Decree no. 231/2001: introduction of crimes of "False declaration", "Omitted declaration" and "Undue compensation", if committed within the scope of cross-border fraudulent systems and in order to evade value added tax for a total amount of no less than ten million Euros; the introduction of the new Article 25-*sexiesdecies* of Legislative Decree no. 231/2001 concerning the crimes of "Smuggling".

The current Organisational Model is made up of a "General Section" and eleven "Special Sections". The "General Section" essentially deals with:

- 1) the Surveillance Body, the information that has to be sent to it, and its reports on the work it has done with respect to corporate bodies;
- 2) staff training and the circulation of the Organisational, Management and Control Model within and outside the Company;
- 3) the disciplinary measures applicable in the event of failure to comply with the requirements in the Model;
- 4) updating and review of the Organisational Model.

The Organisational, Management and Control Model as per Legislative Decree no. 231/2001 can be found on the Company's website in the specific Ethics and Compliance area.

The **Surveillance Body of Leonardo S.p.a.** is currently composed, following the appointment by the Board of Directors on 25 June 2020, of four external professionals, Raffaele Squitieri (Chairman and external member from 9 November 2017), Giorgio Berni, Chiara Mancini and Claudio Tedeschi, as



well as of the Group General Counsel Andrea Parrella and the Chief Audit Executive Marco Di Capua (internal members by operation of law in accordance with the related By-Laws).

The duties, activities and functioning of this Body are governed by specific By-Laws, which were approved by the Board of Directors of Leonardo S.p.a. on 15 December 2005 and finally updated on 8 November 2018. The By-Laws entrust the Surveillance Body with wide-ranging tasks for the purposes of monitoring the validity and effectiveness of the Organisational, Management and Control Model as per Legislative Decree no. 231/2001. Within these tasks, among other things, the Surveillance Body holds periodical hearings to hear the Managers responsible for potential areas at risk of offences pursuant to Legislative Decree no. 231/2001, examines reports and disclosures prepared by the corporate units and provides recommendations or instructions to the top management and to the corporate bodies, also with respect to appropriate actions for improving or changing checks. Moreover, Surveillance Body receives reports (if any) about breach of the Organisational Model on the part of company representatives or third parties.

The Surveillance Body has adopted its own internal rules.

10.5. INDEPENDENT AUDITING FIRM

On 16 May 2012 the Shareholders' Meeting appointed KPMG SpA to audit the accounts during the period from 2012 to 2020. Therefore, this appointment will expire at the next Shareholders' Meeting called to approve the financial statements at 31 December 2020. The Shareholders' meeting held on 20 May 2020 resolved to appoint EY S.p.A. to carry out the statutory audit of accounts for the nine-year period from 2021 to 2029.

The appointment envisages the Independent Auditing Firm carrying out the following activities:

- statutory audit of the Separate Financial Statements of Leonardo S.p.a.;
- statutory audit of the Consolidated Financial Statements of the Leonardo Group;
- review of the consolidated Half-year Financial Report of the Leonardo Group;
- periodical reviews of regular book-keeping;
- establishing whether the Directors have prepared the Non-financial Statement (Art. 3, paragraph 10, of Legislative Decree no. 254/2016); again as regards this Declaration, the Company has specifically appointed the Auditing Firm KPMG, in accordance with the abovementioned Decree, to issue the declaration attesting that the information provided in the Declaration complies with the provisions laid down in the Decree and the statutory principles, methods and procedures.



10.6. OFFICER IN CHARGE OF FINANCIAL REPORTING AND OTHER CORPORATE ROLES AND ORGANISATIONAL UNITS

Officer in charge of financial reporting

In accordance with Art. 154-bis of the Consolidated Law on Financial Intermediation and Arts. 25.4 and 25.5 of the Company's By-Laws, the Board of Directors' meeting held on 20 May 2020 proceeded with the appointment of the Officer in charge of financial reporting, confirming that of Alessandra Genco (the Company's Chief Financial Officer) until the expiry of the term of office of the current Board members.

The Company By-Laws envisages that the Board of Directors, having previously obtained the mandatory opinion of the Board of Statutory Auditors, appoints a person to this position, whose mandate expires at the same time as the term of office of the Board of Directors that has designated him/her.

The choice of an executive for this position is made from among persons who, for a period of at least three years:

- a) have performed duties of governance and control or management in companies listed on regulated markets in Italy, in other EU Member States or in OECD countries with a share capital of not less than €mil. 2; or
- b) have had legal powers of control over the accounts of companies such as those specified in letter a), or
- c) have been professionals or full university professors in financial or accounting matters; or
- d) have performed functions as executives in public or private bodies with expertise in finance, accounting or control sectors.

Also in accordance with the By-Laws, the Officer in charge of financial reporting must satisfy the requirements of good repute laid down for the members of the Board of Directors.

In connection with her appointment by the Board of Directors, Alessandra Genco has been formally vested, in addition to the powers conferred on her as Chief Financial Officer of the Company, with all the powers necessary for the correct performance of the duties required by law.

The Officer in charge of financial reporting releases the certification required by Art. 154-bis, paragraph 2 of the Consolidated Law on Financial Intermediation and, together with the Chief Executive Officer, the attestation under Art. 154-bis, paragraph 5 of the Consolidated Law on Financial Intermediation.

Below are the **corporate roles and organisational units** which are specifically involved in the internal control and risk management system, in addition to the above described Group Internal Audit organisational unit (para. 10.3).



- **Group General Counsel**, to which – among others – the following organisational units refer with specific role in relation to the internal control and risk management system (SCIGR):
 - the **Compliance organisational unit** which is responsible, in particular, for: directing and coordinating initiatives and issues concerning the Trade Compliance and Business Compliance areas, also through the preparation and updating of the relevant documents concerning the internal regulatory system (Directives, Procedures, Policies, etc.) and the organisation of training sessions, in agreement with the competent central functions, so as to ensure an adequate control of legal risks in order to prevent behaviours that do not conform to the norms; ensuring the necessary support for Trade Compliance issues and supervising the implementation of the Group's Trade Compliance Program; ensuring any due diligence activities and the necessary audits for reputational, financial and other aspects, with reference to consultants and business promoters, while providing assistance in the preparation of any related contracts; carrying out due diligence procedures, also with the assistance of external service providers, relating to M&A transactions, other strategic arrangements or arrangements with sensitive parties, service stations, training centres, distributors, still at the prior request of the relevant corporate functions and in coordination with the latter, identifying the possible measures to mitigate emerging risks, while ensuring a check on any possible connection with the relevant business compliance area; providing adequate information flows concerning Compliance to the benefit of the Top Management, the corporate bodies and the Managers responsible for corporate units;
 - the **Criminal Law, Ethics & Integrity organisational unit** which is responsible for providing specialist support, legal representation and defence during criminal proceedings, in order to provide the Group with the best legal protection of its interests, for ensuring specialist support in applying and updating the Model under Legislative Decree no. 231/2001, as well as for defining the Company's anti-corruption policies (ethical business conduct) and providing assistance in relation to the regulations applied in the countries where the Group operates;
 - the **Anti-corruption organisational unit** aimed at supervising the compliance of the anti-corruption system of Leonardo S.p.a. with ISO 37001 (Anti-Bribery Management Systems Standard);
- the **Risk Management organisational unit**: the organisational unit (which reports to the **Chief Risk Officer**) is responsible for supporting the Top Management in monitoring the activities relating to the management of corporate risks, with the aim of strengthening the Group's governance, while ensuring the definition, upgrading and circulation of methods, metrics and tools for a correct



risk identification, analysis and management. The central Risk Management organisational unit coordinates the various Risk Management units established within the Operating Companies/Divisions, which provide operational support to the Risk owners of the business lines in the risk management process. The central organisational unit also operates in close relationship with any other competent units of the Parent Company in the risk management process, in order to carry out an efficient and coordinated monitoring of any and all areas and types of (strategic, financial, legal, contractual, compliance, project) risks. Within the abovementioned structure, the **Project Risk Management** and **Enterprise Risk Management** organisational units operate, as do the newly-established organisational units of **Risk Management Governance** (responsible for contributing to the improvement of the Risk Management process, creating and using appropriate monitoring tools and integrating them systematically in corporate operational processes) and **Risk Management Enhancement** (whose purpose is to coordinate Risk Management operations with the work of the Italian and foreign subsidiaries).

10.7. COORDINATION BETWEEN PERSONS INVOLVED IN THE INTERNAL CONTROL AND RISK MANAGEMENT SYSTEM

As required by the Code, in order to maximise efficiency of the internal control and risk management system and to reduce any duplication of activity, specific procedures were set out for the coordination between the various persons involved. In particular:

- the Board of Statutory Auditors, the Chief Audit Executive and the Group General Counsel regularly participate in the Control and Risks Committee's meetings;
- the Control and Risks Committee reports to the Board of Directors at least on a six-monthly basis – in any case, on the occasion of the approval of the draft Annual Financial Statements and of the Half-year Financial Report – on the activity carried out, as well as on the adequacy of the internal control and risk management system. Moreover, as reported in paragraph 9 above, the Chairman of the Committee informs the Board on the meetings and resolutions made at the first possible meeting of the Board;
- the Control and Risks Committee, the Board of Statutory Auditors and the Surveillance Body hold joint meetings on themes of common interest and to share information on the work done during the year;
- the Board of Statutory Auditors holds periodic meetings in particular with the Surveillance Body, the Officer in charge of Financial Reporting, the Chief Audit Executive and any other corporate functions with specific duties concerning the internal control and risk management system;
- the Control and Risks Committee and the Board of Statutory Auditors convene, every six months, the Chief Financial Officer, the Group General Counsel and the Chief People, Organization and



Transformation Officer for updates on the main Group disputes and on their possible accounting impacts in order to fulfil the requirements linked to the preparation of the Financial Reports;

- the Risk Management organisational unit works in close collaboration with the other competent Leonardo units in order to oversee all risk areas in an effective and coordinated manner.

Furthermore, it should be noted that the abovementioned internal Procedure for the management of information flows with corporate bodies (para. 4.4.) lays down operating methods which ensure that the various bodies involved are coordinated as necessary, as well as that the information provided for internal control managers is prompt and complete, thus ensuring that the system works as efficiently as possible, also through reducing duplication of work.

11. BOARD OF STATUTORY AUDITORS

11.1. APPOINTMENT

As regards the appointment of the Statutory Auditors, as well as of the Directors, the **list voting** system has been adopted: section 28.3 of the By-Laws governs in fact the election of the Board of Statutory Auditors, setting out the deadlines and methods for filing and publishing lists, and the related documentation, in compliance with the regulations in force.

The abovementioned provision currently requires that the list of candidates presented by Shareholders, together with related supporting documentation, be deposited at the Company's registered office at least 25 days prior to the date set for the first convocation of the Shareholders' Meeting and must be published by the Company at least 21 days prior to the Meeting, always on first call, in accordance with applicable law. Lists may be submitted by Shareholders holding, either alone or jointly with other Shareholders, at least 1% of the share capital with voting rights at Ordinary Shareholders' Meetings (or holding lower percentages envisaged by applicable laws or regulations). As already noted that with regard to the appointment of the Board, the minimum shareholding required to present a list of candidates for the election of Leonardo's administration and control bodies was confirmed by Consob (with Decision no. 44 of 29 January 2021) at 1%, percentage envisaged in the Company's By-Laws.

The Board of Statutory Auditors is appointed based on lists submitted by the Shareholders according to the procedures described in Art. 28.3 of the By-Laws, aimed at ensuring the election of two regular members and one alternate member on the part of the minority list. The Chairman of the Board of Statutory Auditors is appointed by the Meeting from among the Statutory Auditors elected from the minority list pursuant to Art. 148, para. 2-bis, of the Consolidated Law on Financial Intermediation (TUF), as well as to section 28.3, second-last paragraph, of the Company's By-Laws.

Each list, in which candidates are listed in consecutive order, is divided into two sub-lists, for candidates to the position of Regular Auditor and for candidates to the position of alternate Auditor.



At least the first candidate in each sub-list must be registered with the Register of Auditors and must have been performing statutory audits of accounts for a period of no less than three years.

The members of the Board of Statutory Auditors shall be appointed as follows:

- a) three Regular Auditors and one Alternate Auditor will be taken from the list that receives the majority of votes cast, in the consecutive order in which they appear in the list;
- b) two Regular Auditors and one Alternate Auditor will be taken from minority lists; to this end, votes obtained by the lists are subsequently divided by one and by two according to the consecutive order in which the candidates were listed.

The scores thus obtained shall be allocated to the candidates of each of said lists, according to the order of the lists as respectively envisaged. The scores thus assigned to the candidates of the various lists will be reported in a single decreasing order. Those who have obtained the highest scores will be elected. In the event that more than one candidate has obtained the same score, the candidate from the list which has not yet elected any Regular Auditor shall be elected.

In the event of an equal number of list votes and still with the same score, a new vote will be held by the entire Meeting and the candidate with the majority of votes will be elected.

In the event of the replacement of a regular Auditor elected from the majority list, the Alternate Auditor elected from the same majority list takes his place, while in the event of the replacement of the regular Auditor elected from the minority list, the Alternate Auditor elected from the same minority list takes his place.

The new members of the Board, pursuant to Art. 2401 of the Italian Civil Code, shall be appointed by the Meeting from among the candidates in the same list of the Auditor who has ceased to hold office.

In the event that, for whatever reason, the appointment of one or more regular Auditors or alternate Auditors or the integration of the Board of Statutory Auditors cannot be made as required above, the Meeting shall resolve with the majorities prescribed by law, in compliance with the principle of the representation of minorities. Section 28.1 of the By-Laws (section 28.1) also requires at least two regular Auditors and one alternate Auditor to be chosen from Registered Auditors of Accounts with at least three years of auditing experience.

Auditors that do not satisfy this requirement must have at least three-year experience:

- a) in performing duties of governance and control or management in stock companies with a share capital of not less than €mil. 2; or
- b) as professionals or full university professors in legal, economic, financial or technical and scientific matters *closely connected with the Company's activities*; or



- c) in performing functions as executives in public or private bodies in the banking, finance and insurance sectors, or in sectors *closely connected with* the Company's activities, intended as those that are useful for achieving the Company's business purpose

Furthermore, persons who serve as Statutory Auditors for five or more issuers, or who perform governance and control functions for a number of other companies in excess of the limit provided by current law, may not be chosen as regular Auditors.

Moreover, all the members of the Board of Statutory Auditors must meet the independence requirements laid down for Statutory Auditors in the current regulations. In this regard, the Company (as also reported in relation to the appointment of the Directors) expressly requires, in the notice of call of the Meeting, to specify, in the lists of candidates, their eligibility to be qualified as "independent" directors, on the basis of the criteria laid down for Directors in Art. 3 of the Code.

In accordance with the provisions governing **gender equality** (as already reported regarding the appointment of Directors), the Shareholders' Meeting of 16 May 2019 amended Leonardo's By-Laws which made permanent, as regards the composition of the Board of Directors and the Board of Statutory Auditors, the portion of at least one third (or of the possible higher portion established by law) of the members belonging to the less represented gender.

Therefore, any lists that, considering both the sub-list of regular Auditors and that of alternate members, present a number of candidates equal or higher than three, must include, in the sub-list of regular Auditors, candidates of different gender so as to ensure a composition of the Board in compliance with what reported above. In the event that the sub-list of alternate Auditors from said lists indicates two candidates, they must belong to different genders.

With reference to the Board of Statutory Auditors serving at present, appointed in the Meeting of 15 May 2018, the quota of the less represented gender is one-third of the members.

As concerns the amendments made by the 2020 Budget Law to the related provisions of the Consolidated Law on Financial Intermediation (TUF), reference is made to para. 4.1 above in relation to the Directors' appointment.

Finally, at its meeting on 24 February 2021, the Board of Statutory Auditors in its capacity as Internal Control and Auditing Committee considered that it met the professional requirements, pursuant to the provisions laid down in Art. 19 of Legislative Decree no. 39/2010 (as amended by Legislative Decree no. 135/2016) on the basis of which "The members of the Internal Control and Auditing Committee, as a whole, are competent in the sector in which the entity undergoing the audit operates".



11.2 COMPOSITION AND FUNCTIONING (ART. 123-BIS, PARA. 2, LETT. D), TUF)

The Board of Statutory Auditors, consisting of five Regular and two Alternate Statutory Auditors, was appointed by the Shareholders' Meeting of 15 May 2018 for the three-year period from 2018 to 2020 and, therefore, until the next Shareholders' Meeting called to approve the Financial Statements at 31 December 2020. Moreover, during the abovementioned Meeting held in 2018, Riccardo Raul Bauer was appointed Chairman of the Board of Statutory Auditors, from among the regular statutory auditors elected from the minority list (pursuant to Art. 148, para. 2-*bis* of TUF).

After Mr Bauer resigned on 8 November 2018, Luca Rossi was appointed Regular Statutory Auditor and Chairman of this control body, pursuant to the law and By-Laws provisions and until the next Meeting, who had been an Alternate Auditor and elected from the same minority list. Therefore, the Meeting of 16 May 2019 saw the appointment of Mr Luca Rossi as Regular Auditor and Chairman of the Board of Statutory Auditors (from among the statutory auditors appointed by the minority), as well as Giuseppe Cerati as Alternate Auditor.

The **Board of Statutory Auditors** currently holding office as at the end of the 2020 financial year was composed as follows:

Luca Rossi (*)	Chairman
Sara Fornasiero (1)	Regular Auditor
Francesco Perrini (2)	Regular Auditor
Leonardo Quagliata (2)	Regular Auditor
Daniela Savi (2)	Regular Auditor
Giuseppe Cerati (*)	Alternate Auditor
Marina Monassi (2)	Alternate Auditor

(*) Auditor appointed on **proposal submitted by a group of asset management companies and institutional investors**, holding about 1.06% of the share capital.

(1) Auditor appointed from the **list submitted by a group of asset management companies and institutional investors**, holding about 1.731% of the share capital, **who obtained the minority of votes** (about 9.5% of the share capital represented in the Shareholders' Meeting).

(2) Auditor appointed from the **list submitted by the Ministry of Economy and Finance**, holding about 30.204% of the share capital, **who obtained the majority of votes** (about 89.6% of the share capital represented in the Shareholders' Meeting).

The Tables in Appendix summarise the structure of this control body, showing the Auditors serving at the date of approval of this Report, the related characteristics in terms of independence and length



of service, as well as the number of any additional positions of Regular Auditor held by the present members of the Board in other issuers³ (Art. 144-terdecies of the Issuers' Regulation⁴).

Curricula of Statutory Auditors

Brief curricula of the careers of the Regular Auditors currently in office are given below, specifying their respective age and seniority in the position.

LUCA ROSSI

CHAIRMAN

In office since November 2018 (*Alternate Auditor since May 2018*)

Belonging list: minority (a group of asset management companies and institutional investors)

Born in Casalpuusterlengo (Lodi) on 12 March 1967. Chairman of the Board of Statutory Auditors of Leonardo since 8 November 2018. He holds an Economics and Business degree and is a Certified Public and Professional Accountant.

He is the founder of the tax firm *Studio Tributario Associato Facchini Rossi & Soci* (now the tax firm *Studio Legale Tributario Facchini Rossi Michelutti*). His professional activity is mainly focused on providing tax consultancy and assistance to companies operating in the financial, banking and industrial sectors. He gained particular experience during the years in the consultancy within the banking sector, having supported national and international leading banks in the various tax issues related to extraordinary corporate or financial transactions in which they were involved. Since 2014, he has been the Chairman of the Board of Statutory Auditors of CreditRas Assicurazioni S.p.A., a joint venture between Allianz and Unicredit in the non-life insurance sector (and he was a Regular Statutory Auditor in the same company from 2011 to 2014). Since June 2018 he has been a Regular Statutory Auditor of Nuova Sorgenia Holding S.p.A.. From 2013 to 2016 he was a Regular Statutory Auditor of CreditRas Vita S.p.A., a joint venture between Allianz and Unicredit in the life insurance sector. From 2011 to 2013, he was the Chairman of the Board of the Statutory Auditors of Unicredit Merchant S.p.A.

³ "Issuers" means any Italian companies with shares listed on regulated markets (either in Italy or in any other EU Countries), i.e. any companies that issue financial instruments distributed among the public to a significant extent pursuant to article 116 of the Consolidated Law on Financial Intermediation and article 2-bis of the Issuers' Regulation.

⁴ Pursuant to article 144-terdecies, paragraph 1, of the Issuers' Regulation, the position of member of the board of statutory auditors of an issuer may not be held by the persons who hold the same position in five issuers. The full list of the offices of administration and control held at the companies referred to in Volume V, Title V, Chapters V, VI and VII of the Italian Civil Code, pursuant to article 144-terdecies, paragraph 2, of the Issuers' Regulation, is published by Consob on its website, as required by article 144-quinquiesdecies, paragraph 2, of the said Regulation.



He is currently a member of the Rules of Conduct Committee of the Milan unit of the Italian Accounting Profession. From 2007 to 2009 he was a member of the Italian Accounting Board (*O.I.C.*) for the alignment of the Italian tax law with the international accounting standards. For a period, he was a temporary professor with the “*Scuola Superiore dell’Economia e delle Finanze*” of Rome.

He periodically publishes numerous articles on magazines specialised in tax matters.

He participates as speaker in various congresses regarding tax issues. Luca is also co-author of many publications.

SARA FORNASIERO

REGULAR STATUTORY AUDITOR

In office since May 2018

Belonging list: minority (a group of asset management companies and institutional investors)

Born in Merate (Lecco) on 9 September 1968. Regular Auditor of Leonardo since 15 May 2018. She graduated in Business and Economics at the Catholic University of Milan *Università Cattolica del Sacro Cuore*. She is a Certified Public and Professional Accountant. Ms Fornasiero is a member of the Governance Commission of Listed Companies and Compliance and Organisational Models Commission of the Milan Accounting Profession. She is the Chairwoman of the Board of Statutory Auditors and of the Supervisory Board of Arnoldo Mondadori Editore SpA, Regular Statutory Auditor and Chairwoman of the Supervisory Board of Bricoman Italia S.r.l. (Adeo Group) Regular Statutory Auditor of MBDA Italia SpA and Fata Logistic Systems S.p.A.. She is Regular Statutory Auditor and a member of the Supervisory Board of Atos Italia S.p.A.

She worked as auditor for the KPMG Italian network (1993-2015), dealing also with Mergers & Acquisitions and forensic accounting and providing consultancy on sustainability, Internal Audit, Compliance (under Law 262/05 and Legislative Decree 231/01) and Risk Management matters. Sara is an advisor on sustainability and corporate governance issues for leading groups, also listed ones, operating in various sectors.

Currently, she is, *inter alia*, the Lead Independent Director, Chairwoman of the Control and Risks Committee, of the Remuneration Committee and of the Related Party Transactions Committee of Landi Renzo SpA (a company listed on the STAR segment) and Chairwoman/member of the Supervisory Board as per Legislative Decree 231/01 in different companies.

She participated in work groups as regards international sustainability issues for KPMG (2001-2013), she organises seminars and provides also training in French and English on sustainability, corporate governance, risk management and forensic accounting matters. She is co-chair of the Reflection



Group “Donne, Diversity & Disruption” of Nedcommunity, the Italian association of non-executive and independent directors.

FRANCESCO PERRINI

REGULAR STATUTORY AUDITOR

In office since May 2015

Belonging list: majority (Ministry of Economy and Finance)

Born in Bari on 10 December 1965. Appointed Regular Statutory Auditor of Leonardo in the Shareholders' Meeting held on 11 May 2015 (first appointment) and his term of office was renewed in the Meeting of 15 May 2018. Graduated in Business Economics at the Bocconi University in Milan. He has been ITP at the Stern School of Business, New York University, Visiting Scholar at the Wharton School of Business, University of Pennsylvania in Philadelphia. He is a Full Professor of “Business Economics and Management” at the Management and Technology Department of the Bocconi University, the Rector's Representative for the Presidency of the Sustainability Committee, Full Professor of “Accounting, Control, Corporate and Real Estate Finance” at SDA Bocconi School of Management, where he is the head of the Sustainability Lab and of the eSG Lab of the CDR – Claudio Demattè Research Division.

He was the director of the Degree Course in Business Administration and Management (CLEAM), the director of CRESV - *Centro di Ricerche su Sostenibilità e Valore* (Research Centre for Sustainability and Value), M&A Observatory and Observatory on Business Crisis and Restructuring of Bocconi University; the Head of CSR Unit - "Business Ethics and Social Issue in Management" of the management and technology department, the director of MASEM - Master in Sustainability & Energy Management (World Rank #1) and for ten years the Chair of Social Entrepreneurship.

He has been working in the Finance sector since 1990, holding various positions at finance and non-finance companies. At present: he is Chairman of Brera Advisory S.p.A., Regular Statutory Auditor of Leonardo International S.p.A. and Raccorderie Metalliche S.p.A.; Judicial Liquidator of Fondazione San Raffaele del Monte Tabor and Special Commissioner of Infocontact (formerly Prodi-bis).

He is the author of a number of national and international publications regarding strategic finance, business valuation, ESG, corporate governance and sustainability issues.



LEONARDO QUAGLIATA

REGULAR STATUTORY AUDITOR

In office since May 2018

Belonging list: majority (Ministry of Economy and Finance)

Born in Rome on 21 October 1953. Appointed Regular Statutory Auditor of Leonardo in the Shareholders' Meeting held on 15 May 2018.

He was bestowed the Knight of the Order of Merit of the Italian Republic with Presidential Decree of 27 December 2019.

He took the degree in Business and Economics with honours at the "La Sapienza" University of Rome in 1977. He is a Certified Public and Professional Accountant. He is the founder and owner of the chartered account firm *Studio Commercialista Quagliata* based in Rome. He is an expert in company law with specific expertise in governance and control issues of limited liability companies, and also as concerns the regulations on criminal and administrative liability of entities under Legislative Decree 231/2001. He held lessons and participated as speaker in conferences and seminars in relation to the tasks and responsibilities of the Board of Statutory Auditors.

He is currently, among other things, Chairman of the Board of Statutory Auditors of ACEA Produzione S.p.A., Telespazio S.p.A., Ferrovie dello Stato International S.p.A., he is the Sole Statutory Auditor of Terna Plus S.r.l. and Terna Energy Solutions S.r.l.. He was, *inter alia*, Chairman of the Board of Statutory Auditors of ErgyCapital S.p.A. (a company listed on the Stock Exchange), Infratel Italia S.p.A., Rai Cinema S.p.A., Nuova Sorgenia Holding S.p.A., AgustaWestland S.p.A., Finmeccanica Global Services S.p.A., Finmeccanica Group Real Estate S.p.A., Galileo Avionica S.p.A., Space Software Italia S.p.A., Ferrovie dello Stato Sistemi Urbani S.r.l., he was also Regular Statutory Auditor of SACE S.p.A., RFI - Rete Ferroviaria Italiana S.p.A., Ansaldo S.F. S.p.A., MBDA Italia S.p.A., ACEA ATO2 S.p.A., ENEL Gas S.p.A., ENEL Rete Gas S.p.A. and ENEL Distribuzione Gas S.p.A., Interporto campano S.p.A. and Capital Dev S.p.A.. Mr Quagliata is the Chairman of the Board of Auditors of some scientific and cultural Foundations and Associations and he was the Chairman of the Board of Auditors of Hospitals and Local Health Units.

He is the Chairman of an Advisory Committee and of an Investment Committee of two real estate funds (of which one is listed) managed by DeA Capital Real Estate SGR.

He has been and still is the Chairman of the Supervisory Board pursuant to Legislative Decree 231/2001 and BoD member in various important Italian companies.



Within his professional activity, he has been collaborating for many years with the Civil and Criminal Court and with the Court of Appeal of Rome, as court-appointed expert, receiver, official receiver, consignee and liquidator.

DANIELA SAVI

REGULAR STATUTORY AUDITOR

In office since May 2015

Belonging list: majority (Ministry of Economy and Finance)

Born in Piacenza on 13 January 1970. Appointed Regular Statutory Auditor of Leonardo in the Shareholders' Meeting held on 11 May 2015 (first appointment) and her term of office was renewed in the Meeting of 15 May 2018.

Graduated in Business and Economics at the Bocconi University in Milan. She is a Certified and Professional Public Accountant and has gained her professional experience as member of boards of statutory auditors, as an advisor for tax and corporate issues and as an advisor in relation to plans for corporate reorganisation and composition with creditors; an independent expert providing certified opinions on feasibility studies (*attestatore*); a Judicial Commissioner, Administrator and Court-appointed Expert at the Court of Piacenza. She is also the author of publications and articles on business crisis. She is a teacher at Training Organisations as well as a spokeswoman in conferences on business crisis management and tax issues.

At present she holds the following positions: Regular Statutory Auditor of Agustawestland S.p.A., Eurotech S.p.A., Bluenergy Group S.p.A.; Sole Statutory Auditor of Compagnia Generale Immobiliare S.r.l. and Chairwoman of the Board of Statutory Auditors of Brera Advisory S.p.A.

Independence

In compliance with the Corporate Governance Code, the Board of Statutory Auditors assesses the requirements of independence of its members, in the first meeting after the appointment, as well as on a yearly basis on occasion of the preparation of this Report. The results of the assessment are communicated to the Board of Directors that informs the market through a press release after the appointment of the members of the Board of Statutory Auditors, and subsequently, within the context of the preparation of this Report.

Finally, at the meeting of 24 February 2021 the Board of Statutory Auditors considered the continuity of the requirements of independence of each Regular Statutory Auditor. With regard to the notion of independence of the Statutory Auditors, the Board of Statutory Auditors followed the same indications of the Code regarding the concept of independence for the Directors.



Duties

In addition to the supervisory functions (pursuant to article 149 of the Consolidated Law on Financial Intermediation) already listed in paragraph 1 of this Report, the Board of Statutory Auditors performs the duties attributed to it (pursuant to article 19 of Legislative Decree no. 39/2010, as amended by Legislative Decree no. 135/2016) in the capacity as “Internal Control and Auditing Committee”. In this capacity, the Board is appointed:

- to inform the governing body of the outcome of the statutory audit and send it the report drawn up by the independent auditors in accordance with applicable legislation (additional report) supported by observations, if any;
- to monitor the financial reporting process and submit advice or suggestions having the purpose of ensuring its integrity;
- to check the effectiveness of the internal quality control and business risk management systems and that of the internal audit system if applicable, with respect to the financial reporting made by the entity being audited, without encroaching on its independence;
- to monitor the statutory audits of the annual and consolidated financial statements, also having regard to any findings or conclusions of any quality checks that have been carried out by Consob on the audit firm, if available;
- to satisfy itself of and monitor the independence of the statutory independent auditors, specifically as regards the adequacy of the performance of services other than auditing;
- to take responsibility for the procedure followed in order to select the statutory independent auditors and submit a reasoned proposal to the Shareholders’ Meeting as to the appointment concerning the statutory audit of accounts (according to the methods and within the time limits set out in applicable regulations) and the determination of related fees.

The Board of Statutory Auditor verifies the correct application of the assessment procedures and of the criteria adopted by the Board of Directors to assess the independence of its members; furthermore, it oversees whether the Procedure adopted by the Company regarding Related Party Transactions conforms to the principles reported in the Consob Regulation, as well as the relative compliance, and reports to the Shareholders’ Meeting within the context of the Report prepared as per Arts. 2429, paragraph 2, of the Italian Civil Code and 153 of the Consolidated Law on Financial Intermediation. In particular, in this regard the Board of Statutory Auditors constantly supervises if the Company correctly applies the existent procedures and receives specific information flows on the matter. Furthermore, the Board: has the power to request the Chief Audit Executive to perform controls on specific corporate activities or transactions; supervises compliance with the provisions laid down in Legislative Decree no. 254/2016, also through specific in-depth analyses, reporting the related results



in the Annual Report to the Shareholders' Meeting; receives from the Surveillance Body, for information purposes, those reports that the latter deemed well-grounded; moreover it receives periodical information on privacy (from the Company Data Protection Officer) and on anti-corruption (from the Group General Counsel).

The Statutory Auditors take part in the meetings of the Board of Directors and receive, at the same time as the Directors, the documentation on the issues on the agenda.

In performing its work, the Board of Statutory Auditors liaises with the Company's organisational units in charge of control, the Independent Auditors, the Control and Risks Committee, the Surveillance Body under Legislative Decree no. 231/2001 and with the Officer in charge of financial reporting under Law no. 262/05. Moreover, the Board of Statutory Auditors – that constantly attends the meetings of the Control and Risks Committee - receives the necessary operational assistance for the performance of its own auditing work from the Chief Audit Executive, obtains all the Audit Reports and examines the Annual Audit Plan.

In the course of the financial year, the control body plans meetings with the Boards of Statutory Auditors of the companies that are directly owned or "strategic" (in order to allow a profitable exchange of information with specific regard to the corporate operations, the characteristics of the internal control and risk management system and the corporate organisation), as well as with the Top Management, the Heads of the main organisational units and the Division Managers of Leonardo and, where necessary, with the Top Management of the directly-owned or "strategic" companies.

The Board of Statutory Auditors meets the Surveillance Body as per Legislative Decree no. 231/2001 periodically also with the purpose of obtaining the information necessary for it to fulfil its responsibility for overseeing the functioning of and compliance with the Organisational Model and its reviews.

Statutory Auditors also attend Shareholders' Meetings and, collectively or individually, Board of Directors' Internal Committee meetings.

The Board of Statutory Auditors' meetings may be held by tele-conference or video-conference, provided that all the participants may be identified and are able to follow the discussion, to simultaneously intervene in the discussion of the issues dealt with, as well as to peruse the documents in real time.

During 2020 the Board of Statutory Auditors, after the selection of the new Auditing Firm for the nine-year period from 2021 to 2029, which it oversaw in its capacity as "Internal Control and Auditing Committee" under Article 19, paragraph 1.f), of Legislative Decree 39/2010, submitted its reasoned proposal to the Shareholders' Meeting, in accordance with Article 13, paragraph 1, of Legislative Decree 39/2010, as amended and supplemented.



As mentioned at greater length in paragraph 4.3 above, the Statutory Auditors, with the Directors, attend induction sessions to broaden their knowledge of the role that the business organisation plays within the Group, as well as of the industrial sectors in which Leonardo operates.

In order to assist them in coming to a better knowledge of the scenario in which Leonardo operates and of its legislative and regulatory framework, both the Auditors and the members of the Board of Directors are specially informed and updated by the Group General Counsel regarding legislation and self-regulation in order to help them in the performance of their functions. The Board consults the Group General Counsel and the involved units within the Company to obtain further information regarding the reference legislative and self-regulation framework.

In performing their duties, the Statutory Auditors avail themselves of the services of the Secretary's Office of the Board of Statutory Auditors, which reports to the Group General Counsel and assists the Board in carrying out all the formalities necessary for the conduct of their supervisory functions.

In March 2020 Leonardo's Board of Statutory Auditors approved their own **RULES**, which govern the methods of functioning and responsibilities of the body, in compliance with the provisions of law, regulations and by-laws, in line with the main organisational aspects of Leonardo's governance model, as well as in the light of the principles and rules laid down by the Corporate Governance Code and by the Rules of conduct of the boards of statutory auditors of listed companies. The text of the Rules is available in the Corporate Governance section of the Company's website.

The Board of Statutory Auditors must report on its supervision activity to the Shareholders' Meeting in the specific Report prepared pursuant to art. 153 of the Consolidated Law on Financial Intermediation, which is published together with the Annual Financial Report.

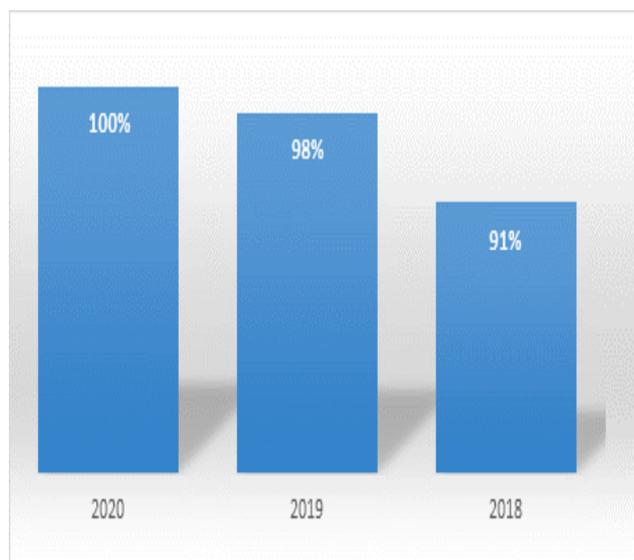
Meetings

The Board of Statutory Auditors (pursuant to article 2404 of the Italian Civil Code) must meet at least every ninety days. During the 2020 financial year, the Board of Statutory Auditors held no. 20 meetings, of an average duration of about three hours. During the 2021 financial year, no. 5 meetings had been held as at the date of approval of this Report. Below are reported the data concerning the presence of the Statutory Auditors in the meetings of the Board of Statutory Auditors, as well as in the meetings of the Board of Directors, which were held in the course of the 2020 financial year.

	Attendance	
	Board of Statutory Auditors	B.o.D.
Luca Rossi Chairman	no. 20/20 meetings	no. 12/12 meetings
Sara Fornasiero	no. 20/20 meetings	no. 12/12 meetings
Francesco Perrini	no. 20/20 meetings	no. 12/12 meetings
Leonardo Quagliata	no. 20/20 meetings	no. 12/12 meetings
Daniela Savi	no. 20/20 meetings	no. 12/12 meetings



B.o.S.A.
Average attendance at meetings



Remuneration

For detailed information on the remuneration paid during the 2020 financial year, for any reason and in any form (including by subsidiaries and associates) to each member of the Board of Statutory Auditors, reference should be made to the second section of the Remuneration Report (under Art. 123-ter of the Consolidated Law on Financial Intermediation, TUF), which is also made available – within the time limits and in the manners prescribed by law – on the Company’s website. The second section of this Report will be submitted to the consultative voting at the next Shareholders’ Meeting called to approve the 2020 Financial Statements.

With reference to the specific application criterion of the Corporate Governance Code (for paying Statutory Auditors on the basis of the commitment requested of them, the importance of their roles and the size and sector of the enterprise), as well as to the new **recommendations of the Corporate Governance Committee** and the provisions of the **new Code**, it should be noted that within the scope of the self-appraisal process – at the end of which the Board of Statutory Auditors issued the Guidelines to shareholders for the renewal of the control body – the Board carried out in-depth analyses on the amount of work required to perform the duties as a Statutory Auditor of Leonardo, sending them to the Company for their inclusion in the Remuneration Report (see par. 8).



Self-evaluation

Since 2017 the Board of Statutory Auditors has started, anticipating what provided for in the Rules of Conduct issued by the Italian Accounting Profession, a self-evaluation process, aimed at collecting opinions from the members as to the functioning and the composition of the Board itself.

Between the end of 2020 and the beginning of 2021, the serving Board carried out its third annual evaluation, relying, for the first time, on the support by a third-party consultant, Eric Salmon & Partners S.r.l.. In particular, as to the **methods**, the self-appraisal process was conducted on the basis of a questionnaire, drawn up by the consultant in line with the questionnaires used in previous financial years, which were followed by individual interviews with the Statutory Auditors, which were held between the end of 2020 and the beginning of 2021.

At the end of this work, on 24 February 2021 the Board of Statutory Auditors approved the Report including the findings of the self-appraisal process, as well as, again with the support of the third-party consultant, an executive summary reporting the related summary in order to provide, in this document, detailed information on the outcomes of the self-assessment process. Again on 24 February 2021 the Board of Statutory Auditors, supported by the Consultant, approved a document whereby the **Guidelines of the Board of Statutory Auditors to the Company's shareholders on the optimal composition of the new control body** were issued with the aim of providing an appropriate tool to support the selection of candidates to be included in the lists for the renewal of the Board of Statutory Auditors. These Guidelines will be made available on the Company's website. As referred to above, within the self-appraisal process the Board of Statutory Auditors also carried out in-depth analyses on the amount of work required to perform the duties as a Statutory Auditor of Leonardo.

Below is the executive summary of the Report on the [results of the self-evaluation process](#).

On the basis of the self-evaluation carried out with the professional advice of the third-party consultant Eric Salmon & Partners, it emerges that Leonardo's Board of Statutory Auditors is characterized by a composition that fully corresponds to the ideal profile of skills, experience and professionalism required for the optimal performance of the related duties, with an adequate degree of gender diversity, a different term of office for the role as a Statutory Auditor at the company and of competence profiles.

The combination of professionalism, personality, seniority and age has constituted a fundamental element to optimise the work of the control body and make it more effective.

The entire Board of Statutory Auditors has expressed a broad and unanimous appreciation for the great personal cohesion and for the collaborative atmosphere, characterized by a thorough and constructive discussion that has allowed it to make the most of the complementarity of skills described above.



All the Statutory Auditors have rated very positively the induction activities carried out by Leonardo, either jointly or severally with respect to those dedicated to the company's Directors.

As is normal, limited areas for further improvement are reported.

In particular, in the context of a considerable commitment due to the size and complexity of the Group, it is believed that there may be room to make the internal organization of the Board's work even more efficient in relation to the Board of Directors' and Committees' meetings.

As regards the guidelines to the Shareholders in terms of number of members and qualitative composition for the future Board of Statutory Auditors of Leonardo, the analysis of the evaluations made on both the current and the future structure confirms a shared opinion among the Board members towards maintaining the current mix of competencies and professionalism, while also underlining the advisability of a choice by the Shareholders that goes in the direction of "continuity", in line with the international best practice, including in consideration of the almost complete renewal of the Board of Directors that occurred last year.

Finally, with regard to the adequacy of the fees paid to the Statutory Auditors, in view of the size and international structure of the Group, the characteristics of its business, the professionalism and commitment required to perform the related duties, in an increasingly complex legal framework and economy, the Board of Statutory Auditors - which must also perform the duties of the Internal Control and Audit Committee – notes that it would be advisable for the Shareholders' Meeting to approve an increase in the remuneration paid to the members of the control body.

Finally, with regard to the composition of the Board of Statutory Auditors and the profiles of *diversity within this control body*, reference should be made to the information specifically provided in para. 12 below.

12. DIVERSITY CRITERIA AND POLICIES (ART. 123-BIS, PARA. 2, LETT. D-BIS), TUF)

Below is the information regarding the policies that the Company follows with regard to diversity in the composition of the corporate bodies, as well as regarding the objectives, implementation methods and results of the related application.

These policies, which were approved in compliance with the provisions under Legislative Decree 254/2016 and Art. 123-bis, para. 2, lett. d-bis) of TUF, as well as in line with the *recommendations of the Corporate Governance Code, as also confirmed in the new edition of the Code – concerning diversity, including gender diversity*, are aimed at defining an ideal composition of the corporate bodies.

Diversification of experience, age, seniority and, last but not least, gender, is an essential way of ensuring the right mix of expertise in and knowledge of the Company's business sector. The objective



is to combine diversity and business strategy, making full use of the various contributions provided by each body in performing its duties and discharging its responsibilities.

Therefore, the diversity policy takes into account, above all, the results of the self-appraisal processes carried out by the Board of Directors and the Board of Statutory Auditors.

Board of Directors

Leonardo's policy

Leonardo's policy with regard to diversity in the governing body is a natural element in the structure of the **procedures for self-evaluation** of the functioning of the Board and its Committees and of their size and composition.

The diversity factor is in fact a basic element in the self-evaluation process, which contains a fundamentally important study of the aspects of each Director (including professional background, experience, gender and seniority in the position), the aim being to endeavour to have the necessary range of experience, skills and prospects among the members of the Board of Directors.

As explained in paragraph 4.3 above (whose contents should be referred to for the detailed methods of Board evaluation and its findings), self-evaluation is conducted annually by means of effectively structured procedures following practices which have been established in the Company for some time. The Report on Corporate Governance annually reports on the related findings that, at the end of the term of office and with a view to the Board renewal by the Shareholders' Meeting, are included in **the outgoing Board's Guidelines for the shareholders regarding the qualitative and quantitative composition of the new governing body**, in order to outline the requirements for the composition of an ideal Board.

Leonardo's policy also includes the principles, and the ways of putting them into practice, laid down in legislation and in the provisions of the By-Laws regarding **gender balance**, already remarked on in connection with the appointment of the Board of Directors - paragraph 4.1 of this Report – to which reference is made.

Objectives

From the point of view of substantive **purposes**, basically important is the objective which involves the identification of the elements and requirements which assist in obtaining the optimum composition – and therefore the optimum degree of diversity – within the governing body. From the point of view of **time targets**, this policy, by its very nature, is directly related in terms of timing to the task (usually three-years) of the Board, which undertakes (as a result of the prior Board's Guidelines) a new three-year self-evaluation process to be completed, at the end of its task, by handing down the next set of Guidelines to the shareholders.



Within this context, among the main objectives, there is the inclusion and combining of various professional backgrounds, in consideration of the importance – for a better functioning of the body – of complementary experiences and skills joined to diversity of gender, age and seniority.

Method of implementation

In taking the findings of the self-evaluation process into consideration, as well as on the basis of the suggestions made by the Nomination and Governance Committee (formerly Nomination, Governance and Sustainability Committee), the outgoing Board of Directors –**in accordance with the recommendations made by the Corporate Governance Committee and the instructions of the new Code** – must set out its **Guidelines** for the shareholders **regarding the quantitative and qualitative composition of the incoming Board**, and the types of managers and professionals whose presence is deemed to be desirable, **which are made known to the shareholders** (by **publication on the website**, as well as by **providing them as an annex to the Board of Directors' Reports**) well in advance of the publication of the notice of call of the Shareholders' Meeting convened to resolve the related renewal. **The abovementioned Guidelines also specifically call to the attention of the shareholders in the notice of call.**

As already reported on the occasion of the previously-issued Report, the outgoing Board - after completing the self-appraisal process conducted during the term of office and in view of the subsequent renewal - issued the shareholders with its **Guidance on the size and composition of the Board of Directors**, even on the basis of the recommendations issued by the Nomination, Governance and Sustainability Committee. In this regard the Board, already abiding by these directions in the **new Code**, expressly quoted the recommendation in its Guidance for those presenting lists for the renewal of the governing body *“to explain how the guidance and policies handed down by the outgoing Board with regard to its ideal composition have been followed in selecting candidates”*.

Subsequently, the new Board, which was appointed by the Shareholders' Meeting held on 20 May 2020, then started the new three-year self-appraisal process after which it had to issue the new Guidelines.

In the development and procedures for the implementation of the Policy described above, a special role is entrusted to the **Nomination and Governance Committee** (formerly **Nomination, Governance and Sustainability Committee**), whose attention to diversity issues falls in full within the framework of the related function of monitoring corporate governance evolution and best practice. When its term of office draws near, the outgoing Board gives the Committee the preliminary opinions and detailed information necessary in order to hand down the prescribed Guidelines.



Diversity aspects

In its Guidelines, the outgoing Board weighed up and set out various criteria and requisites. These were distinctive experience and expertise which were considered priority or important factors to be presented as an organic whole, and thus in terms of diversity, in the lists of candidates.

The experience, expertise and profiles taken into consideration (**Skills Directory**), are described within the scope of the document, available in the Corporate Governance section of the Company's website, to which reference is made.

Final remarks

The new Board of Directors, on the basis of the preliminary analysis and the recommendations issued by the Nomination and Governance Committee, has given its favourable opinion on the programme that has already been started by the Company, confirming the **soundness of the existing policy regarding diversity** in the composition of the Board, together with the related implementing measures, as well as the **three-year duration of its present term of office**.

In line with the work performed in the previous three-year term of office, on the basis of the self-evaluation process started in the first year of its term of office, the board will proceed with the possible definition of new preliminary instructions on diversity to be taken into account and developed during the three-year period, again in the framework of Board evaluation with a view to preparing the next set of Guidelines.

Results

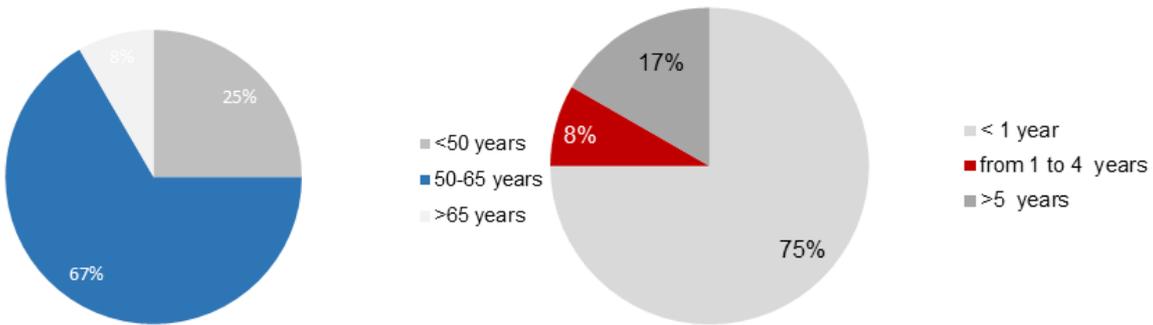
As regards the outcome of the policy described above, the set of **diversity aspects (expertise⁵, experience⁵, seniority in the position⁶, age⁶)** reflected and noted in the current governing body is shown in the summary tables below. In compliance with the targets suggested by Law, the less represented **gender** quota in the present Board of Directors is **2/5** of its members. As already reported when dealing with the appointment of the Directors (par. 4.1), Leonardo's By-Laws, in providing for an automatic adjustment mechanism involving a quota greater than one third, are in line with the rules of the Consolidation Act on Financial Intermediation, as amended by the 2020 Budget Law, which introduced, as regards the composition of the issuers' corporate bodies, a new minimum quota for the less represented gender, equal to two fifths, to be applied for six consecutive terms of offices (as from the date of renewal of the mandates of the corporate bodies expiring in 2020).

⁵ February 2021 data.

⁶ At the date of approval of this Report (9 March 2021).



B.o.D. Skills



B.o.D. Seniority

B.o.D. Age

Board of Statutory Auditors

Leonardo's Policy

Leonardo's Policy concerning the Board of Statutory Auditors is also structured within the **self-evaluation** process that was started by the control body from 2017.

The initiative to proceed with the self-evaluation (which is a sweeping change with respect to the Code) is consistent with the **definition of a diversity policy** **mainly aimed** at identifying profiles and



requirements suitable to promote an optimum composition of the board, as well as at offering a useful tool to the shareholders who intend to submit a list for the appointment of the control body.

As referred to in par. 11 (to which reference should also be made for a description of the related **method**), the findings of the process and the final assessments expressed by the Board members as to its optimal composition show the diversity within the board as one of the most significant features, as an undoubted strength of the organ.

The Board of Statutory Auditors holding office, on the basis of the results resulting from the self-appraisal process carried out during the three-year period, issued – at the end of its term of office – the **Guidelines that the outgoing members issue to the shareholders as to the qualitative and quantitative composition of the control body**, as already reported with regard to the self-appraisal carried out.

The related adoption will constitute **a focal point in the notice of call of the Shareholders' Meeting** convened to resolve on the appointment of the control body for the three-year period 2021-2023.

Diversity aspects – Final evaluations

Below are the main evaluations made by the Board of Statutory Auditors as to the optimal composition of the control body, which will hold office during the three-year period from 2021 to 2023, including the key **diversity features**, considered in the preparation of the abovementioned Guidelines.

A comparison of the skills that are considered to be well represented by the Board during the three-year period from 2018 to 2020, as well as essential by all Statutory Auditors for the future Board of Statutory Auditors of Leonardo, shows **a very large degree of overlap between the current mix of knowledge, skills and experience and the desired one**.

Among the **competencies** that are considered to be well represented in the current Board, which are regarded as equally important for the future, we point out:

- ✓ knowledge of Leonardo's regulatory system (by-laws, rules, procedures);
- ✓ competence in corporate governance;
- ✓ competence in corporate internal audits;
- ✓ competence in reading and interpreting financial statements and financial documents;
- ✓ financial skills and competence in extraordinary transactions;
- ✓ accounting skills;
- ✓ competence in the statutory audit of accounts;
- ✓ experience and ability to supervise the adequacy and effective functioning of the organisational structure and the administrative and accounting system;



- ✓ experience in administration or control or, in any case, management positions at joint-stock companies;
- ✓ experience and ability to supervise the adequacy of the internal control system;
- ✓ competence in risk management;
- ✓ sustainability skills;
- ✓ the experience gained in companies listed on the Stock Exchange.

From what has been observed, the control body deemed it possible to conclude that the analysis of the evaluations made - with regard to both the current and the future structure - confirms a shared opinion among the Board members towards maintaining the current mix of competencies and professionalism, even in the event of a partial review of the related composition, while ensuring : *i*) the monitoring of core skills (competence in corporate law, corporate governance, reading and interpreting financial statements and financial documents, legal supervision, as well as in the field of internal control); *ii*) adequate experience in the role in organizations of similar complexity; *iii*) maintaining, if not strengthening, "emerging" skills (first of all, sustainability), to which the Board of Statutory Auditors of Leonardo seems to have already largely adapted.

All the above actions are taken while ensuring, at the same time, specific induction on the knowledge of Leonardo's business, including at international level.

Results

Finally, as to the results of the policy in place and with reference to the **composition of the Board of Statutory Auditors holding office**, which was appointed by the Shareholders' Meeting held on 15 May 2018, the outcomes of the implementation of the policy approved by the previously-serving Board on 23 January 2018 are reported below.

An unquestionable strong point is the *diversity within this control body*. The **various forms of diversity (competencies, experience, age, length of service)** are well represented in the present Board, as well as in line with the issues regarded as priorities by the previously serving control body:

- simultaneous presence of diversified professional competencies complementing each other and integrating the knowledge necessary for the performance of the supervisory function;
- diversity of professional experience, fostering constructive discussions during the examination of the issues handled by the Board;
- presence of different age brackets, also in connection with the different training background of each Statutory Auditor;
- satisfactory balance between genders in the Board; the less represented gender makes up **2/5** of the serving Board members, which, in fact, meets the targets set out in Art. 148 para. 1-*bis* of Legislative Decree no. 58/98, as amended by the 2020 Budget Law.



* * *

Leonardo is always committed to encouraging an inclusive workplace in which diversity is recognised and appreciated in accordance with the directions in the **new Code** regarding issuers' adoption of **measures that foster equal treatment and opportunities between the genders within the business organisation**. In this regard, it should be noted that, during 2020, the new **Corporate Culture** organisational unit was set up – to report to the Chief People Organization and Transformation Officer – with the aim, among other things, of promoting Leonardo's culture and values and with responsibility for inclusion, diversity and sustainability of people, while also fostering its vocation towards internationalisation. Furthermore, some additional actions, which were also taken in 2020, in the area of Gender Equality are reported below:

- ✓ as part of the negotiations for the renewal of the Leonardo Supplementary Agreement (with reference to the agreement reached regarding the model of corporate industrial relations which, within the framework of trade union rights of information and consultation, provides for a series of National Bilateral Committees), the **Group Joint Committee for Equal Opportunities and Diversity** was set up, which is composed of 4 company representatives and 4 representatives for each trade union organisation;
- ✓ the Group participated in the Minerva "*Azienda di eccellenza al femminile*" Award and the "*Donna Manager d'eccellenza*" Award: the initiative, promoted by Federmanager Roma and Luiss "Guido Carli", with the support of Unindustria, is aimed at encouraging and giving visibility to companies that stand out in the field of gender equality and that adopt policies and strategies aimed at ensuring equal opportunities and career recognition;
- ✓ the **cross-functional Gender Equality Working Group** was set up to monitor the target KPIs (2021 and 2030), as well as a **2021 Action Plan** for the implementation of initiatives to promote a Gender Equality-oriented culture.

The appreciation of feminine talent in Leonardo cuts across all business areas and geographical areas. Specifically, this policy is pursued by involving female employees directly in numerous guidance, training, promotion of the territory and active citizenship projects. The appreciation of gender diversity extends from the career path to the personal dimension, also through the adoption of measures that help to attain a better life-work balance and reconcile family life and working life times better (smart working).

Finally, it should also be noted that Leonardo has been included in Bloomberg's **Gender-Equality Index (GEI) 2021**, the stock index that measures the performance of listed companies both for transparency in disclosing gender data and for the measures adopted with a view to inclusion and enhancement of diversity. The GEI assesses issuers' practices with reference, in particular, to five



specific areas: female leadership and talent enhancement; gender equity and equal pay; inclusive culture; harassment prevention and sanction policies; and brand recognition as a brand that supports the female gender.

13. INVESTOR RELATIONS AND SUSTAINABILITY

For some time the Company has had corporate units devoted to dialogue and relations with investors and the financial market in general, as well as to the management and development of sustainability issues, in order to promote an ongoing, open relationship and increase the level of mutual understanding.

After organisational changes that occurred recently, the above areas of activity were merged respectively into the **Investor Relations & Credit Rating Agencies, Sustainability** and **ESG (Environmental, Social & Governance) & Integrated Reporting** organisational units.

INVESTOR RELATIONS

The **Investor Relations & Credit Rating Agencies** organisational unit (reporting directly to the Chief Financial Officer) manages the relationship with shareholders in general, institutional investors, Credit-Rating agencies and financial analysts, through a constant, proactive, transparent and timely communication, while also promptly informing the public about events or decisions that may have significant effects on the prices of the financial instruments issued by the Company or of the related financial instruments.

As regards the applicable “*Procedure for the management, processing and disclosure of Leonardo S.p.a.’s confidential and inside information and for the keeping of the Insider List*” and the related responsibilities in the management and disclosure process of the price sensitive information, reference should be made to the contents of para. 4.8 above.

The organisational unit maintains constant relationships with institutional investors, organising meetings, collective and one-to-one meetings, in the main Italian and foreign financial markets. The audio/video recording of the conference calls and presentations to the financial community is available in the Investors section of the Company’s website, in addition to the presentation documents and the financial press releases issued by the Company.

Below is a brief description of the main work of engagement with investors.

Financial Disclosures

The organisational unit contributes to laying down the Group’s financial disclosure strategy and equity story consistently with the strategic economic-financial objectives and the Industrial Plan. Through the management and the development of the relationships with both actual and potential financial analysts and institutional investors, the organisational unit contributes to make them learn more about Leonardo by organising events focused on the analysis of its strategy, business,



commercial performance, economic and financial prospects and ESG issues. A particularly important part of this activity are presentations to the financial market of the Industrial Plan, as well as of periodical financial results, also in conference call and by webcast, the management of the Company Roadshows with the Group's management, the Deal Roadshows on the occasion of non-recurring transactions and the Investor Days with site visits, including through virtual tools. On the occasion of the publication of the annual, six-monthly and quarterly data the Company organises conference calls or presentations with institutional investors and financial analysts, with the participation of the press, in order to provide an overview of the results and analyse the main factors that impacted on the performance. After the description of the results, the participants can ask for more details and make specific questions during the Q&A session.

Each year, during the main shows for the sector, including, alternatively, Farnborough (England) or Le Bourget (France), meetings between groups of investors and the Top Management of Leonardo and of the Divisions are organised, proposing specific presentations of the main products and systems present at the airshow (product tour). In 2020 the participation in trade fairs and, more in general, in meetings between groups of investors and the company Top Management took place primarily by electronic means, in compliance with the provisions issued in relation to the health emergency.

Moreover, the organisational unit manages the relationships with the Italian Stock Exchange and Consob ("Market Division") in the sphere of its responsibility, with specific reference to the disclosure of inside and confidential information, together with the other corporate structures and in particular with the Legal, Corporate Affairs, Compliance, Criminal Law and Anti-corruption organisational unit.

Credit Rating Agencies

The organisational unit is responsible for handling relations with the three Credit Rating Agencies (Moody's, Standard & Poor's, Fitch) which award Leonardo a credit rating and a rating for its bonds. The credit rating agencies, prominent parties in the financial markets, are privileged interlocutors and therefore are timely informed – in compliance with the EU and domestic regulations on market abuse - on the strategic choices made by management. Individual meetings and conference calls are arranged periodically in order to provide the latest details of the quarterly results, the economic and financial outlook and transactions of significance for credit rating purposes, in addition to meetings at which the results for the year are examined, with the participation of the Leonardo management.

Shareholder Engagement

In consideration of a significantly increased participation of the international institutional investors at the Leonardo's Shareholders' Meetings (Shareholder Activism), the unit has responded promptly to this phenomenon with a strong commitment to Shareholder Engagement which meets their needs and expectations and helps them to take an active part in these meetings. Engagement work consists



of arranging conference calls and special meetings with the main institutional investors during the year and during the months leading up to the Shareholders' Meeting with discussions on new scenarios, trends and regulations which are also capable of having impacts on items on the agenda of Shareholders' Meetings and on how investors vote.

It should be noted that the Company has embarked, in line with the guidelines of the **new Code**, on the initiative of the Chairman (and in agreement with the Chief Executive Officer), on a path to an in-house programme aimed at drawing up an **engagement policy** aimed at promoting opportunities for meetings and discussions with investors (whether shareholders or other stakeholders), in compliance with the current regulations governing the management and circulation of corporate information (i.e. Market Abuse Regulation).

In this regard, the Nomination and Governance Committee finally started (at the meeting held on 8 March 2021) a phase of analysis and assessment of the related contents, on the basis of the contributions prepared by the competent functions of the Company, in order to prepare the text of the policy, which, once it is approved by the Board of Directors, will be promptly made available to the public on the website and will be the subject of specific information in the next Corporate Governance Report.

SUSTAINABILITY

Sustainability is a basic element in the Company's Industrial Plan and is integrated in its business strategy and corporate processes. The strategy determined by the governing body, its involvement in the progress of the Sustainability Plan and in the choices relating to the financial and ESG reporting of the Group, in addition to a specific materiality analysis conducted with the support of the management and the responsible Board of Directors committee (now Sustainability and Innovation Committee), are consistently **with the Corporate Governance Committee's** suggestions, and with the principles and recommendations of the **new Code**.

Among the organisational measures implemented by Leonardo with regard to sustainability governance, in addition to establishing the abovementioned Board committee (as referred to in paragraph 6 above), the Company has set up corporate units devoted to the management and supervision of sustainability issues, also with an eye to interaction with shareholders and stakeholders concerning these matters.

The **Sustainability** organisational unit (established to report directly to the Chief Technology & Innovation Officer) is mainly responsible, among others, for supporting the company Top Management in defining the Group's sustainability strategy and related governance, as well as for preparing the Group's Sustainability Plan - in accordance with the industrial plan - and strategic guidelines, measuring the implementation and monitoring the related performance. The



organisational unit is also responsible for managing and developing relations with sustainability bodies and networks, including through communication and engagement actions.

In the field of sustainability, the **ESG (Environmental, Social & Governance) & Integrated Reporting** organisational unit (set up within the Administration, Finance and Control organisational unit) is the unit responsible for preparing the Group's Consolidated Non-Financial Statement ("NFS"), which, with effect from the Financial Statements for the 2020 financial year, is included in the Report on operations. The organisational unit manages, among other things, relations with the third-party audit firm, as well as relations with the **ESG Rating Agencies** and the work relating to the inclusion of the Company in the major sustainability stock indices; furthermore, as regards **Stakeholder Engagement** issues, it provides specialist support to engagement processes on ESG issues targeted at investors that adopt responsible investment strategies (investment stewardship), and to Proxy Advisors and other financial stakeholders (in coordination with the Investor Relations & Credit Rating Agencies organisational unit), taking part in communication and promotion actions reserved for the financial community.

For more specific details on the issues, reference should be made to the contents of the 2020 Financial Statements, made available within the time limit and in the manner prescribed by law at the same time as this Report, also by being published in the specific Investors section on the Company's website.

During the 2020 financial year Leonardo was confirmed, for the second consecutive year, as **global leader in the Aerospace & Defence sector in the Dow Jones Sustainability Indices (DJSI)**, which includes the shares of companies with the best economic, social and environmental sustainability performance worldwide. This achievement bears witness to the **sustainability as an integral part and guidance of Leonardo' strategy and governance** and of the solid **integration of sustainability in company business strategy and corporate processes**.

Again during the reporting year, the Company was appointed in the **UN Global Compact LEAD** (in recognition of the commitment to promoting principles relating to human rights, labour, environment and fight to corruption) and was included in the "**Climate A List**" of the international organisation CDP (including the world's leading companies in the fight against climate change). Furthermore, in early 2021, as already reported (par. 12), Leonardo was included in the **Gender Equality Index (GEI)** stock index of Bloomberg, dedicated to gender diversity, as well as admitted to "Band A" of the **Defence Companies Index on Anti-Corruption and Corporate Transparency (DCI)** of the international organisation *Transparency International* (see paragraph 15 below).



14. SHAREHOLDERS' MEETINGS (ART. 123-BIS, PARA. 2, LETT. C), TUF)

Notice of call and disclosures to Shareholders

The Shareholders' Meeting is the body through which shareholders can play an active part in the life of the Company, casting their votes according to the procedures and on the subjects prescribed by law and by the By-Laws. The Shareholders' Meeting is called (section 12.2 of the By-Laws) at least once a year to approve the Financial Statements within 180 days of the close of the fiscal year.

Shareholders' Meetings are called by means of a notice published on the Company's website (as well as per extract printed in at least one national daily newspaper), containing the information required by Art. 125-*bis* of the Consolidated Law on Financial Intermediation, at least 30 days prior to the date set for the Shareholders' Meeting on first call, except for any Shareholders' Meetings called: *i*) to appoint the corporate bodies through the list voting (40 days before the Meeting); *ii*) to resolve on defence measures in the case of a take-over bid (15 days before the Meeting) and *iii*) to resolve on capital decreases and the appointment and dismissal of liquidators (21 days before the Meeting).

The Shareholders who represent, even together with other Shareholders, at least a fortieth of the share capital may make, within the time limits and according to the procedures set out in article 126-*bis* of the Consolidated Law on Financial Intermediation and in the notice of call, additions to the list of issues to be discussed at the Shareholders' Meeting or submit proposed resolutions on any issues that are already on the agenda, specifying the related reasons. In any case, the Shareholders will be entitled to submit, regardless of the shareholding held by each of them, proposed resolutions regarding the issues on the agenda in the course of the Shareholders' Meeting.

The Board shall endeavour to ensure that the shareholders receive accurate and timely information on the items on the agenda, so as to enable each shareholder to make informed decisions on the matters for which the Meeting is responsible.

Furthermore, the Company's focus has always been on ensuring, including through **institutional means of online communication**, that information provided to shareholders is of quality and easily accessible, in compliance with the regulations regarding price sensitive information and the disclosure of "regulated information". In particular, in the specific Corporate Governance section of Leonardo's website, all the material documents regarding the single Shareholders' Meetings are promptly made available to the public (in addition to this Report and the relevant documentation): an appropriate area that is also accessible directly from the website's home page publishes the notice of call, the explanatory Reports of the Meeting's agenda and any and all other documents to be submitted to the shareholders, proxy forms and information on the amount and composition of the share capital, as well as any documents following the meeting (a summary report on voting and minutes of the shareholders' meeting).



The Company also makes – on its website - a "**Shareholder's Guide**" available to its shareholders, which is regularly updated each year, in order to provide practical support to enable its shareholders to be actively involved in the life of the Company. The introduction of this tool is aimed, in particular, at facilitating the understanding of the mechanisms for participation in the Shareholders' Meeting, as well as gathering in a single document any information relating to the rights that can be exercised by Leonardo's shareholders.

The website's Corporate Governance section also includes, with prompt updates, further information of interest, concerning, among other things, the composition of the corporate bodies and *curricula* of the related members, disclosures on Internal Dealing, minutes of the Shareholders' Meetings and of the Board of Directors meetings, the Company's By-Laws. Moreover, in this section there are also some specific areas with related documentation related to extraordinary transactions. Furthermore, a specific chart is available, which illustrates and summarises the Company's governance system, in order to offer an overview of the various corporate bodies and to report the respective composition and place within the structure of Leonardo.

Additional sections of the website are related to the information to be provided to Investors (with specific areas dedicated to the approval of interim results and to the related disclosures to the market, including links to access the related webcasts) as well as to Ethics, Compliance and Sustainability issues.

In 2020 Leonardo continued its work on the structural upgrading of its website, again in order to enhance and implement the clarity and availability of the related contents.

The Board of Directors participates in the Shareholders' Meetings. Specifically, the Chief Executive Officer reports – also with the help of specific presentations - on the activity carried out during the financial year and on the Issuer's future plans, at the Shareholders' Meeting called to approve the Annual Financial Statements, providing any necessary clarification. The Shareholders' Meeting is also attended by the Statutory Auditors, as well as by the Group's Executives invited by the Chairman in relation to the issues being discussed during the meeting.

The Shareholders' Meeting held on 20 May 2020 – for which specific proceedings, in consideration of the current emergency, reference should be made to the issues dealt with in the paragraphs below – was attended by the Chairman and the Chief Executive Officer, as well as by no. 1 out of 12 Directors and no. 1 Statutory Auditor out of 5 standing members.

Right of attendance and voting at the Shareholders' Meeting

Based on the Record Date mechanism, the right to attend Shareholders' Meeting and vote is attested by a specific communication released by a financial broker to the Company in favour of those entitled to voting rights, based on the evidence of their accounting records, seven trading days prior to the date of the Shareholders' Meeting on first call. Any notices given by the broker shall be received by



the Company by the end of the 3rd trading day prior to the date set for the Shareholders' Meeting on first call. Shareholders are entitled to speak and vote if their notices reach the Company after the above time limit provided that it does so while the meeting is still in progress.

Credit and debit entries in the broker's account after the Record Date are not relevant to the entitlement to exercise voting rights.

The entitled persons can be represented by written proxy, which may be notified to the Company pursuant to Law and By-Laws as indicated in the notice of call. The Company provides the entitled persons with a proxy form for the participation in the individual Shareholders' Meetings. The Company is also entitled (section 14 of the By-Laws) to designate a common representative for each Shareholders' Meeting, i.e. a person to which the Shareholders may grant a proxy with instructions on how to vote (which the common representative shall comply with) on all or certain of the items on the agenda. Such proxy must be given by the end of the 2nd trading day prior to the date set for the Shareholders' Meeting on first call, and without incurring expenses. There has been a Company-appointed shareholders' representative to whom shareholders may give proxies free of charge since the 2012 Shareholders' Meeting.

Finally, as required by article 127-ter of the Consolidated Law on Financial Intermediation, the Shareholders may also submit questions on the issues on the agenda before the Shareholders' Meeting, within the time limit (so-called cut-off date) and according to the procedures specified by the Company in the notice of call. The Company gives answers during the Shareholders' Meeting at the latest; it may also do so on paper at the beginning of the Meeting.

2020 Meeting

In view of the Covid-19 health emergency and of the consequent sanitary and public health restrictions adopted, while taking account of the fundamental principles of protection of the health of the shareholders and all those involved, at the Shareholders' Meeting held on 20 May 2020 (in line with the provisions of Legislative Decree no. 18 of 17 March 2020) the attendance and exercise of voting rights on the part of the shareholders could only take place by granting a specific proxy, containing voting instructions on all or some of the proposals on the agenda, to the Shareholders' Representative (Computershare S.p.A.) appointed by the Company pursuant to Art. 135-undecies of the Consolidated Law on Financial Intermediation, according to the procedures illustrated in the notice of call. In order to facilitate the submission of the proxy and voting instructions on the part of the shareholders, the Company made available the usual forms that can be downloaded from the website in the website section dedicated to the Shareholders' Meeting, as well as a specific form to guide their compilation and online transmission.

The above provisions applied without prejudice to the right of those shareholders who did not intend to make use of the described procedures of attendance, as well as to grant proxies and/or sub-proxies



to the Designated Representative pursuant to Art. 135-novies of the Consolidated Law on Financial Intermediation, with related voting instructions.

Moreover, in consideration of the described procedures for attending the Meeting and exercising the vote, in order to make it possible for those concerned to exercise their right pursuant to Art. 126-bis, paragraph 1, penultimate sentence of the Consolidated Law on Financial Intermediation (submission of individual proposals for resolutions at the Shareholders' Meeting), albeit with terms and methods compatible with the health emergency, as well as with the need for timely disclosure of such proposals the Company granted those entitled to attend the Shareholders' Meeting and exercise their vote the right to submit individual resolution proposals on items already on the agenda by the deadline of 6 May 2020, while undertaking to publish them on the website within the following two days, in order to allow those entitled to give their opinion in an informed manner also on the basis of these new proposals, giving any related voting instructions to the Designated Representative.

With regard to the right to pose questions before the Shareholders' Meeting, in order to allow the shareholders to cast their vote through the Designated Representative also on the basis of the related feedback, the Company provided the answers three days before the actual date of the Meeting by publishing them on the website.

In order to also provide shareholders with all the information necessary for the best awareness in accordance with the voting instructions in due time, the Company also made available online in the days before the Shareholders' Meeting a presentation of the 2019 results, accompanied by a video message from the CEO to shareholders, in place of the usual illustration during the Shareholders' Meeting.

Functioning and Competences

The Shareholders' Meeting is held in ordinary and extraordinary sessions and may pass resolutions on issues reserved to them by applicable laws, except for the Board's right to resolve (pursuant to article 2365, paragraph 2, of the Italian Civil Code and section 24.1 of the By-Laws) on the issues specified in paragraph 4.3 above.

During Ordinary Shareholders' Meetings, resolutions are passed by an absolute majority of those in attendance, with the exception of the matters specified under section 22.3 of the By-Laws, for which the favourable vote equal to at least three-fourths of the capital represented at the Meeting is required (section 16.5 of the By-Laws).

Extraordinary Shareholders' Meetings also require the favourable vote of at least three-fourths of the capital represented in order for resolutions to pass (section 16.4 of the By-Laws).

The Shareholders' Meeting is chaired by the Chairman of the Board of Directors, who directs the proceedings ensuring that discussions take place correctly and that shareholders are enabled to exercise their rights to speak and reply on each item dealt with.



With the purpose of setting out the appropriate procedures for ensuring meetings are conducted in an orderly and constructive fashion, **Shareholders' Meeting Regulations** have been adopted by the Company for some time, which define the main aspects (such as the right to take part in Meetings or to be present at them, rules for debate, voting methods, arrangements for voting operations) so that the proceedings are properly conducted and the shareholders are permitted to exercise their right to speak on the items on the agenda.

In order to ensure that all Shareholders are able to exercise this right, the Regulations contain special provisions concerning the manner in which requests to speak on the individual items on the agenda should be presented, the maximum time Shareholders are allowed to speak and the possibility of asking to be allowed to speak again and to state how they will vote if they wish to do so.

The Regulations also contain provisions for special powers held by the Chairman that enable him to settle conflicts among the persons attending the meeting or to prevent them from arising and to repress abuse of any kind.

Furthermore, the Regulations exactly define procedures for admittance to Shareholders' Meeting locations by those entitled to attend (Art. 4) and expressly provide for procedures for addressing Shareholders' concerns prior to the Meeting (Art. 10) in keeping with the law in force.

The said Regulations are always distributed to Shareholders on the occasion of shareholders' meetings and may be viewed in the Corporate Governance section of the Company's website.

During 2020, there were changes in the market capitalisation of shares, mainly arising from the relevant economic scenario and, more in particular, from the effects of the Covid-19 pandemic.

It should be remembered that, as already reported in this Report, the percentages envisaged in the By-Laws as to the exercise of the rights protecting minority Shareholders, in particular the ownership of 1% of the voting share capital required for the submission of lists of candidates for the position of Director or Statutory Auditor of the Company (sections 18.3 and 28.3 of the Company's By-Laws), is actually corresponding to (as were in the course of the prior financial year) the minimum share identified by Consob.

The above-mentioned By-Laws provisions also set down, as previously illustrated, specific procedures aimed at ensuring, within the described "list voting" mechanism, the appointment of Directors and Statutory Auditors drawn from minority lists.

15. ADDITIONAL CORPORATE GOVERNANCE PRACTICES (ART. 123-BIS, PARA. 2, LETT. A), TUF)

This paragraph provides a description of the additional organisational measures taken by the Company, including in the first months of the current financial year, within the overall process of strengthening its governance practices on an ongoing basis.



✓ **Updating of the Rules of Procedure of the Board of Directors and of the Board Committees**

Listed companies are required to bring their governance into line with the new Code over the period of the 2021 financial year, informing the market of the changes made in the Corporate Governance Report to be published in 2022.

At the meetings held on 19 December 2020, 26 January 2021 and 24 February 2021, Leonardo's Nomination and Governance Committee, with the support of the Group General Counsel and the Manager responsible for the Group Corporate Affairs organisational unit, analysed the impacts of the principles and recommendations of the new Code on the Company's governance, while setting out the related implementation actions.

In order to comply in full with the provisions of the new Code, as already noted in paragraph 3 of this Report, Leonardo took steps to update the Rules of Procedure of the Board of Directors and of the Board Committees, which are the main measures through which the Company establishes its corporate governance structure. Below is a summary of the main changes.

RULES OF PROCEDURE OF THE BOARD OF DIRECTORS

Sustainable success: the new Code requires the Board of Directors to guide the company by pursuing the objective of sustainable success, defined as the *generation of long-term value to the benefit of shareholders, taking account of the interests of other stakeholders relevant to the company*.

In this regard, **Article 2** of the Rules of Procedure of the Board of Directors:

- provides that the Board of Directors shall carry out its management activities by pursuing the objective of sustainable success;
- integrates the tasks of the Board, in line with the provisions of the new Code, providing that the strategic, industrial and financial plans and the internal control and risk management system are prepared by taking account of the analysis of the issues that are relevant for the generation of long-term value.

For the sake of completeness, it should be noted that, in order to strengthen the role of sustainable success in Leonardo's governance, the Rules give each Committee a new task (described in the respective Rules) aimed at supporting the Board, each for the areas under its own competence, in the analysis of the issues relevant to the Company for the generation of long-term value within the scope of the tasks and functions assigned to it.

Role of the Chairman: the new Code provides for the Chairman of the BoD to play a role of liaison between executive and non-executive directors and a role of guarantee with regard to the effective functioning of the proceedings.

A new **article 4** is included in the Rules of Procedure of the Board, dedicated to the role of the Chairman of Leonardo's BoD.



Appointment of the Secretary of the BoD: the new Code provides that the Board, on the proposal of the Chairman, shall appoint and remove a secretary from his/her post and lay down the professional requirements and authority in its Rules.

In this regard, the Rules of Procedure of the BoD have been added to by providing (**article 1**) that the Secretary of the BoD - who may also be a person from outside the Company - must have proven and well-established experience in corporate law and corporate governance, with particular reference to listed companies.

Engagement Policy for managing the dialogue with the general public of shareholders: according to the new Code, the Board must adopt - upon proposal of the Chairman and in agreement with the Chief Executive Officer - a policy for managing the dialogue with the general public of shareholders and the Chairman must ensure that the BoD is in any case informed about the dialogue. The Rules have been added to (**article 1**) by the provision of the new task of the Board in relation to the adoption of a policy for the dialogue with the general public of shareholders. With regard to the implementation process already undertaken by the Company, aimed at defining the new policy, reference should be made to paragraph 13 above.

Independence: the new Code provides for some amendments to the criteria for assessing the independence of non-executive directors and identifies the functioning of the BoD and corporate management as the issues on which the meetings of independent directors must be focused.

Moreover, with regard to the independence criteria, it should be noted that the concept of "prominent representative" is no longer applied and, therefore, the possibility for the Chairman who has been indicated as candidate for this role in the list to also be assessed as independent.

The Rules implement, by making additions to **Article 5**, the amendments brought in by the Code with regard to the criteria for the assessment of independence and with regard to the subjects that independent directors are required to assess during their meetings.

Moreover, the Rules also specify the criterion that Leonardo has long since adopted to determine the significance of professional relations (as already mentioned in paragraph 4.6).

RULES OF PROCEDURE OF THE CONTROL AND RISKS COMMITTEE

New tasks of the Committee: The new Code confirms the authority already envisaged for the Control and Risks Committee and adds, as additional tasks: i) an assessment of the suitability of interim financial and non-financial reporting to describe the business model in a correct manner, the strategies of the company, the impacts of the company and the performance achieved; ii) an examination of interim non-financial reporting as far as relevant with regard to the internal audit and risk management system.

The Rules therefore entrusts the Committee with two new tasks:



- the assessment, having heard the CFO, regarding the correctness of the process for preparing interim financial and non-financial reporting with a view to adequately describing the Company's business model and strategies, as well as the impact of the activities and the performance achieved;
- the examination, jointly with the **SUSTAINABILITY AND INNOVATION COMMITTEE** (the **RULES** of which have been aligned accordingly), involving Leonardo's interim non-financial reporting insofar as it is relevant to the internal control and risk management system.

RULES OF PROCEDURE OF THE NOMINATION AND GOVERNANCE COMMITTEE

New tasks of the Committee: among the most significant developments with respect to the Nomination Committee is the support to the Board for the possible presentation of a list by the outgoing members of the BoD, to be carried out according to methods that ensure its formation and transparent presentation.

Therefore, the Rules implement the new task by providing for the Committee to carry out, at the request of the Board of Directors, preliminary inquiries for the purposes of the possible presentation of a list on the part of the outgoing members of the Board, in compliance with the provisions of law and the Articles of Association and in line with the provisions of the Corporate Governance Code.

Furthermore, a specific task has been established in the Rules of Procedure of the Committee with reference to the new powers of the Board, now provided for in the relevant Rules; this task is related to the Engagement Policy for managing the dialogue with the general public of shareholders, providing that the Committee supports the Board in *i*) adopting and updating the Engagement Policy for managing the dialogue with the general public of shareholders and other stakeholders, monitoring the reference benchmarks and *ii*) analysing in advance the information, provided for by the Policy, on the development and significant contents of such dialogue.

RULES OF PROCEDURE OF THE REMUNERATION COMMITTEE

The new Code requires companies to adopt **measures aimed at promoting equal treatment and opportunities between genders** within the corporate organisation, and to monitor their actual implementation.

The Rules therefore give the Remuneration Committee, which is already responsible for assisting the Company in preparing the best management policies for the Group's managerial resources, as well as the plans and systems for the managerial development of the Group's key resources, the new task of monitoring the adoption and actual implementation of measures designed to promote equal treatment and opportunities between genders within the corporate organisation.

✓ “One Company” organisational structure

As it is known, with effect from 1 January 2016, all the Group's activities in the core sectors of AD&S (Aerospace, Defence and Security) were concentrated in a single company, namely the **One**



Company. From such date, Leonardo has been run as a single business, with a decentralised structure consisting of business **Divisions**. Following the Group's transformation process started in this manner, as well as the outcome of subsequent actions of rationalisation and simplification, the organisational model of Leonardo is structured into **five Divisions**:

- ✓ **Aerostructures**
- ✓ **Cyber Security**
- ✓ **Electronics** (which is, in turn, structured into **four Business Areas** "Electronics Ita", "Electronics UK", "Automation Systems" and "Defence Systems").
- ✓ **Helicopters**
- ✓ **Aircraft**

In addition, during the 2020 financial year, in order to face the new market scenario characterised by the impact of the Covid-19 pandemic, as well as by the opportunities offered by the dual use of technologies generated by the related emergency, Leonardo's organisational structure was implemented by setting up - with effect from 1 September 2020 - a **General Management Department**, reporting directly to the Chief Executive Officer, entrusted to Lucio Valerio Cioffi (formerly the Head of the Aircraft Division). This reorganisation also intends to accelerate the new phase of implementation of the Strategic Plan, increasing flexibility and agility in order to also increase competitiveness in relation to the new challenges imposed by the pandemic emergency.

The General Manager is provided with reports from the **Aircraft Division** and the **Aerostructures Division**, as well as from the following organisational structures: **Chief Commercial Officer; Chief Procurement & Supply Chain Officer; Customer Support, Services & Training; Production and Program Management Optimisation; Unmanned Systems**. Moreover, the newly-established **New Business Development & Country Support** organisational unit was set up, again reporting directly to the General Manager, with the aim of managing and developing the business of the New Actions of the Be Tomorrow 2030 Strategic Plan, linking the different corporate initiatives in a unified and cross-sector vision.

It should also be noted that, during the 2020 financial year, there was the establishment, within Leonardo's organisational units, of the new **Corporate Culture** (with responsibility, among other things, for the inclusion, diversity and sustainability of people, as mentioned in paragraph 12 above) and **Crisis Management** (with responsibility for planning and implementing the response in emergency situations and with the aim of combining business continuity and protection of the safety of people and at workplaces) organisational units, reporting to the Chief People Organization and Transformation Officer.

Finally, it should be noted that the effects, including for accounting and tax purposes, started to manifest, with effect from 1 January 2020, for the transaction (functional to more efficient and



effective operations of Leonardo's industrial companies) involving the merger of Sistemi Dinamici S.p.A - an engineering company that is directly and wholly owned and operates in the field of development, production and sale of remotely controlled aircraft - by incorporation into Leonardo as a part of the overall project for the strategic/corporate rationalisation of some assets in the AD&S core business.

✓ **Whistleblowing Guidelines**

In the framework of the measures aimed at strengthening the Group's governance system, the **WHISTLEBLOWING MANAGEMENT GUIDELINES**, which were approved by the Board of Directors in March 2015 (acting on the instructions expressed in the Code – with particular reference to the issuer companies belonging to the FTSE-Mib index) and finally updated on 17 December 2020, define the process of handling these reports by either named or anonymous individuals (including staff members, partners in the Joint Ventures, suppliers, collaborators, customers and third parties in general) who become aware of any possible violation of the Protocols and other company regulations and/or the Law and/or the relevant Regulations.

The Guidelines have been fully applied and have been circulated since they were issued, and also during 2019, both inside and outside the Company in order to ensure that they are publicised to the greatest possible extent.

In this regard the **Whistleblowing Committee**, which has been established for this purpose – composed of the Group General Counsel, Chief Audit Executive, Chief Security Officer, Chief People, Organization and Transformation Officer and Chief Financial Officer – receives, from the various Supervisory Boards of the national legal entities and from the other similar Bodies operating in the foreign entities of the Leonardo Group, the reports they have received, which do not merit immediate filing due to unfoundedness. The above-mentioned Committee, as early as in the phase of preliminary inquiries, can avail itself of the Group Internal Audit and Security organisational units' functions, due to the typical nature of the reports, considering, among other things, the suggestion to the Top Management regarding actions to protect the Company in the reporting phase, in order to also strengthen the operation of the Internal Control and Risk Management System.

Reports are handled through dedicated channels and, more recently, through a dedicated information platform, a recommended tool for the transmission of reports pursuant to Law no. 179/2017, which is able to ensure the utmost protection and privacy for whistleblowers.

✓ **Anti-Corruption Code**

The **ANTI-CORRUPTION CODE OF THE LEONARDO GROUP** which integrates the rules for preventing and fighting corruption already in place in the Group; it is an organic and coherent system based on the principles of integrity and transparency whose purpose is to counter the risks of unlawful practices in the conduct of corporate business and activities at any working level and in any



geographic area. The Code, approved by the Board of Directors in the meeting of 21 April 2015 and updated on 8 May and 26 September 2019, is the strong measure that the Board has decided to take in order to complete the task of boosting internal control safeguards, in accordance with the relevant regulations and in line with the highest international best practices in the sector.

Among the provisions in the Code is one which refers to a training programme whose aim is to prevent the risk of corruption through annual sessions in which Personnel are instructed in the contents of the Code.

At the end of an audit process carried out by RINA, an independent body providing certification services accredited by Accredia (the Italian accreditation body), on 13 July 2018 Leonardo obtained the ISO 37001:2016 certification (*Anti-Bribery Management System Standard*), the first international standard on the anti-corruption management systems. The Anti-Bribery Management System's compliance with the ISO 37001:2016 standard is checked by the Certification Body on an annual basis through a dedicated supervision programme. Furthermore, following an in-depth analysis of the world's leading companies in the Defence & Security sector, in February 2021 Leonardo was placed in the highest band ("Band A") of the *Defence Companies Index on Anti-Corruption and Corporate Transparency (DCI)*, prepared by the non-governmental organisation Transparency International, in recognition of the Company's constant commitment in recent years and the measures put in place through the adoption of more stringent anti-corruption policies and the significant increase in the level of transparency.

✓ **Corruption Prevention Coordination and Consulting Board**

The **Corruption Prevention Coordination and Consulting Board** was set up in 2014. It is composed of Leonardo's current Chairman, who since 2017 was given the task of "overseeing the implementation of the corporate governance rules on integrity in corporate behaviour and fighting corruption" and of the *pro tempore* Chairmen of the Control and Risks Committee, the Board of Statutory Auditors and the Surveillance Body of Leonardo S.p.a. as per Legislative Decree no. 231/2001. The meetings are also attended by the heads of the Group Internal Audit, Legal, Corporate Affairs, Compliance, Criminal Law and Anti-corruption organisational units. During 2020, the Board continued the coordination activities of the bodies in charge of monitoring the rules of conduct applicable within the Group and was informed about the Anti-Bribery System of the Company with reference, in particular, to the activities envisaged in the Annual Anti-Corruption Plan for 2020 and with regard to the results of the 2019 programme. Moreover, it was informed about the contents of the updates concerning the Organisational Model pursuant to Legislative Decree no. 231/2001 and the Guidelines on the management of the Reports before the approval procedure at the board meetings.



✓ **Group Management Committee**

The **Group Management Committee**, which was formed in 2017, supports the Head of the Company in forming the opinions and making the decisions for which he is responsible and to compare, marshal and discuss business critical issues, in order to ensure an effective and consistent implementation of programmes and of any initiative of strategic importance to the development of the Group business. Presided over by the Chief Executive Officer, the Group Management Committee is composed of the Heads of the first-level organisational units of Leonardo, the Division Managers, the Coordinator of the Group's Space activities and Chief Executive Officer of Telespazio, the Chief Procurement and Supply Chain Officer and the Chief Executive Officer of Leonardo Global Solutions; the Chief Executive Officer of Leonardo DRS as well as the C.E.O. Chief of Staff, whose duties are to act as Technical Secretary, call and prepare meetings. According to the items for discussion, the Heads of other Group companies or the Heads responsible for other organisational units of Leonardo S.p.a. were also involved.

The Committee meets whenever specific circumstances require a meeting to be held.

✓ **Code of Ethics**

It is now some time since the Company considered that it was not only desirable but necessary to adopt a **CODE OF ETHICS** to express the values which all those to whom it is addressed must abide by and which, in the framework of the internal control and risk management system, constitutes a management tool for ethical conduct in business and an effective element in corporate strategy and organisation. Knowledge of and observance of the Code of Ethics by all those who have relationships of different kinds with Leonardo are, therefore, primary factors for the Company's transparency and reputation and the Company therefore commits itself to making the Code known to all those with whom it has business dealings, expecting such persons to make themselves acquainted with the rules in the Code and to respect them. The Directors are responsible for implementing and reviewing the Code of Ethics; the duty of those to whom it applies is to report any breach to the Surveillance Body pursuant to Legislative Decree no. 231/2001.

The Code of Ethics includes – among other things - provisions specifically regarding health and safety at work and the environment, thus confirming the importance that the Company attaches to these themes, as well as specific provisions regarding the safeguarding of the corporate assets, again drawing attention to the concepts of truthfulness, integrity and transparency in accounting, in financial statements, in reports and in all other forms of social communication as fundamental principles in the conduct of business. The updated version of the Code of Ethics, finally approved on 26 September 2019, is available on the Company's website, in the specific section of Ethics and Compliance.



16. CONSIDERATIONS ON THE CHAIRMAN OF THE CORPORATE GOVERNANCE COMMITTEE'S LETTER OF 22 DECEMBER 2020

In a letter of 22 December 2020 addressed to the Chairmen of the issuers' Boards of Directors, and for information to the Chief Executive Officers and Chairmen of the control bodies, the Chairman of the Corporate Governance Committee, drew on results of the Annual Report and on the attached Report on the application of the Corporate Governance Code, identified the main theme areas urging an improvement in the governance practices of the issuers; as usual, the Committee invited to submit the recommendations that had been drawn up to the attention of the governing body, the competent board Committees and the control body, as well as to include in this Report the Company's observations and any action planned or taken.

This letter, which the Company's functions promptly forwarded to the Chairman of the Board of Directors, the Chief Executive Officer and the Chairman of the Board of Statutory Auditors, as well as, according to their respective responsibilities, to the Chairmen of the Nomination and Governance Committee, the Remuneration Committee and the Sustainability and Innovation Committee) was as usual the object of a careful analysis and consideration. Specifically, the abovementioned recommendations were specifically examined by the abovementioned committees, in order to share appropriate considerations, as well as specifically taken into consideration during the Board's self-evaluation process and during the preparation and approval of this Report.

Leonardo's Board of Directors, in confirming that the Company largely follows these recommendations, reaffirmed its commitment and its constant attention to monitoring compliance with the instructions of the Committee, both from the substantive point of view of organisational decisions and governance solutions adopted, including their evolution, and from the point of view of quality and the utmost and precise transparency of disclosures provided to the market.

The Committee's recommendations and wishes are expressly considered and highlighted in the body of this Report, under the information provided on the different themes discussed, as well as summarised in the reference Table below, which acts as an easy guide to these themes.

As regards the matters that are more closely related to the remuneration Policy and sustainability matters, in addition to the information summarised in this document, reference should be made to the specific contents of the Remuneration Report and the Integrated Annual Report made available within the time limits and in the manners prescribed by law.



<p>Corporate Governance Committee Theme areas</p>	<p>Corporate Governance Report Leonardo S.p.a. Disclosures and references</p>		
<p>SUSTAINABILITY</p>	<ul style="list-style-type: none"> ➤ <i>Sustainability included in the definition of strategies, the internal control and risk management system and the remuneration policy</i> 	<ul style="list-style-type: none"> • <i>Para. 13 – Sustainability</i> • <i>Para. 8 – Remuneration of the Directors and Managers with strategic responsibilities</i> • <i>Integrated Annual Report</i> • <i>Remuneration Report</i> 	<p style="text-align: center;">✓</p>
<p>INFORMATION PROVIDED BEFORE BOARD MEETINGS</p>	<ul style="list-style-type: none"> ➤ <i>Appropriate deadlines are explicitly set out for sending documentation</i> ➤ <i>The deadlines set out are indicated clearly and complied with in an effective manner</i> ➤ <i>Deadlines cannot be waived for confidentiality requirements</i> 	<ul style="list-style-type: none"> • <i>Para. 4.3 – Board evaluation</i> • <i>Par. 4.4 – Information to the Board of Directors</i> 	<p style="text-align: center;">✓</p>
<p>INDEPENDENCE</p>	<ul style="list-style-type: none"> ➤ <i>Possible disapplication of independence criteria to be justified on an individual basis</i> ➤ <i>Definition ex ante of quantitative and/or qualitative criteria of reference</i> 	<ul style="list-style-type: none"> • <i>Para. 4.6 – Independence Assessment</i> – 	<p style="text-align: center;">✓</p>
<p>SELF-EVALUATION</p>	<ul style="list-style-type: none"> ➤ <i>Board’s contribution to strategic plans</i> ➤ <i>The BoD oversees the Board review process</i> 	<ul style="list-style-type: none"> • <i>Par. 4.3 – Board evaluation</i> 	<p style="text-align: center;">✓</p>
<p>APPOINTMENT AND SUCCESSION OF DIRECTORS</p>	<ul style="list-style-type: none"> ➤ <i>Precise description of the Nomination Committee’s work</i> ➤ <i>Completeness and timeliness of proposed resolutions on appointment – Guidance on optimal composition</i> 	<ul style="list-style-type: none"> • <i>Par. 6.1 – Nomination and Governance Committee</i> • <i>Par. 4.3 – Board evaluation</i> • <i>Par. 12 – Diversity Criteria and Policy</i> 	<p style="text-align: center;">✓</p>



	<ul style="list-style-type: none"> ➤ <i>Succession plan of Executive Directors: procedures for early termination of employment</i> 	<ul style="list-style-type: none"> • <i>Par. 4.1 -Succession plans</i> 	
<p>REMUNERATION POLICY</p>	<ul style="list-style-type: none"> ➤ <i>Indications on variable component</i> ➤ <i>Variable remuneration, long-term performance targets and non-financial parameters</i> ➤ <i>Ad-hoc bonus</i> ➤ <i>Termination of employment indemnity</i> ➤ <i>Adequacy of the remuneration of non-executive Directors Control Body</i> 	<ul style="list-style-type: none"> • <i>Para. 8 – Remuneration of Directors and Managers with strategic responsibilities</i> • <i>Par. 11.2 – Fees due to the members of the Board of Statutory Auditors</i> • <i>Remuneration Report</i> 	<p>✓</p>



APPENDIX

TABLE 1: INFORMATION ON THE SHAREHOLDER STRUCTURE*Significant stakes in the share capital⁷*

SHAREHOLDERS	% of ownership
	<i>on the ordinary capital</i>
	<i>and voting capital</i>
Ministry of Economy and Finance	30.204
Blackrock Inc. ⁸	6.352
Norges Bank	1.519
Bank of Italy	1.013

⁷ List updated on the basis of the communications disclosed in accordance with Art. 120 of the Consolidation Act on Financial Intermediation (TUF), for which Consob introduced, in April 2020, a transitional regime of enhanced transparency, with a notification obligation when the 1% threshold of the share capital is exceeded. By Resolution no. 21672 of 13 January 2021 Consob finally extended this regime until 13 April 2021.

⁸ BlackRock Inc., by a notice dated 11 November 2020, declared that it held, through various subsidiary asset management companies: i) 8,308,865 shares with voting rights equal to 1.437% of the share capital; ii) potential investments for 7,046,804 shares equal to 1.219% and, finally; iii) other long positions with cash settlement for 21,370,284 shares equal to 3.696%.



TABLE 2: STRUCTURE OF THE BOARD OF DIRECTORS AND OF THE COMMITTEES

Board of Directors for the three-year period 2020-2022 appointed by the Shareholders' Meeting on 20 May 2020									Control and Risks Committee ***		Nomination and Governance Committee ***		Remuneration Committee ***		Sustainability and Innovation Committee ***	
Position	Members	Date of first appointment	Executive	Non-executive	Independent Corp. Gov. Code .	Independent Cons. Law on Fin. Intermed.	Attendance BoD meetings *	Other positions **	Members	* Attendance	Members	* Attendance	Members	* Attendance	Members	* Attendance
Chairman	Luciano CARTA	20/05/2020		X		X	7/7	0								
Chief Executive Officer °	Alessandro PROFUMO	16/05/2017	X				12/12	0								
Director	Carmine AMERICA	20/05/2020		X	X	X	7/7	0			M	5/5			M	4/4
Director	Pierfrancesco BARLETTA	20/05/2020		X	X	X	7/7	2	M °°	4/4	M	5/5				
Director	Elena COMPARATO	20/05/2020		X			7/7	1			M	4/5	M °°	4/4		
Director and Lead Independent Director	Dario FRIGERIO (°)	04/07/2013		X	X	X	12/12	3	P °°	4/4	M	5/5		3/3 §		
Director	Patrizia Michela GIANGUALANO (°)	20/05/2020		X	X	X	7/7	3					P °°	4/4	M	4/4
Director	Paola GIANNETAKIS	20/05/2020		X	X	X	7/7	0	M °°	4/4					M	4/4
Director	Federica GUIDI	20/05/2020		X	X	X	6/7	1			M	3/5	M °°	4/4		
Director	Maurizio PINNARO'	20/05/2020		X	X	X	7/7	1	M °°	4/4	P	5/5				
Director	Ferruccio RESTA (°)	20/05/2020		X	X	X	7/7	1					M °°	4/4	P	4/4
Director	Marina RUBINI (°)	15/05/2014		X	X	X	12/12	2	M °°	4/4			M	7/7		
Number of meetings held during 2020:		BoD: 12 (7 meetings from 20.05.2020)			Control and Risks Committee: 7 (4 meetings from 20.05.2020)			Nomination and Governance Committee: 5 °°°			Remuneration Committee: 7 (4 meetings from 20.05.2020)			Sustainability and Innovation Committee: 4 °°°		
Quorum for presentation of lists for the appointment of the BoD: 1% of the share capital with voting rights at Ordinary Shareholders' Meeting																

- NOTES**
- Director in charge of the internal control and risk management system.
 - * All absences from BoD or Committees meetings are excused.
 - ** This column contains the number of positions as Directors or Statutory Auditors held by the Directors serving in other companies listed on regulated markets (in Italy and abroad), and in finance houses, banks, insurance companies or major companies. The positions are described in full in the Report.
 - *** This column contains the position of the BoD member in the Committee (C/Chairman, M/Member).
 - (°) Director appointed from a minority list.
 - °° Member of the Committee from 25 June 2020. °°° New Committee set up on 25 June 2020.
 - § Member of the Committee until 20 May 2020.



TABLE 3: DIRECTORS LEAVING OFFICE IN THE 2020 FINANCIAL YEAR

Directors leaving office								Control and Risks Committee **		Nomination, Governance and Sustainability Committee ** (°°)		Remuneration Committee **		Analysis of International Scenarios Committee **	
Position	Members	Date of first appointment	Executive	Non-executive	Independent Corp. Gov. Code .	Independent Cons. Law on Fin. Intermed.	Attendance BoD meetings *	Members	* Attendance	Members	* Attendance	Members	* Attendance	Members	* Attendance
Chairman	Giovanni DE GENNARO (°)	04/07/2013		X			5/5								
Director	Guido ALPA (°)	15/05/2014		X	X	X	4/5	M	3/3	P	3/3				
Director	Luca BADER (°)	16/05/2017		X	X	X	5/5	M	3/3					M	1/1
Director	Marina Elvira CALDERONE (°)	15/05/2014		X	X	X	5/5			M	3/3	M	3/3		
Director and Lead Independent Director	Paolo CANTARELLA(°)	04/05/2011		X	X	X	5/5	P	3/3	M	3/3				
Director	Marta DASSU' (°)	15/05/2014		X	X	X	4/5			M	2/3			P	1/1
Director	Fabrizio LANDI(°)	15/05/2014		X	X	X	5/5	M	3/3					M	1/1
Director	Silvia MERLO (°)	04/05/2011		X	X	X	5/5	M	3/3					M	1/1
Director	Antonino TURICCHI (°)	16/05/2017		X			5/5			M	3/3	M	3/3		

NOTES

- * All absences from BoD or Committee meetings are excused.
 ** This column contains the position of the BoD member in the Committee (C/Chairman, M/Member).
 (°) In office until 20 May 2020.
 (°°) Dario Frigerio and Marina Rubini (NGSC members until 20 May 2020): no. 3/3 meetings.



TABLE 4: STRUCTURE OF THE BOARD OF STATUTORY AUDITORS

Board of Statutory Auditors (three-year period 2018-2020) appointed by the Shareholders' Meeting on 15 May 2018 and 16 May 2019						
Position	Members	Date of first appointment	Independent Corp. Gov. Code	Attendance at the BoSA meetings **	Attendance at the BoD meetings **	Number of other positions held ***
Chairman	Luca ROSSI ^{° ^}	08/11/2018 [°]	X	20/20	12/12	0
Regular Auditor	Sara FORNASIERO *	15/05/2018	X	20/20	12/12	1
Regular Auditor	Francesco PERRINI	11/05/2015	X	20/20	12/12	0
Regular Auditor	Leonardo QUAGLIATA	15/05/2018	X	20/20	12/12	0
Regular Auditor	Daniela SAVI	11/05/2015	X	20/20	12/12	1
Alternate Auditor	Giuseppe CERATI [^]	16/05/2019	--	--	--	1
Alternate Auditor	Marina MONASSI	15/05/2018	--	--	--	0
Number of meetings held during 2020: 20						
Quorum for presentation of lists for the appointment of the Board of Statutory Auditors: 1% of the share capital with voting rights at Ordinary Shareholders' Meeting						

NOTES

- [°] Appointed as Alternate Auditor in the Meeting of 15 May 2018; on 8 November 2018 he replaced Mr Riccardo Raul Bauer as Regular Auditor and Chairman of the Board of Statutory Auditors (starting from the end of the meeting of the Board of Directors held on the same date); appointed Regular Auditor and Chairman of the Board of Statutory Auditors in the Shareholders' Meeting of 16 May 2019.
- [^] Auditor appointed on proposal submitted by the minority.
- * Auditor appointed from a list submitted by the minority.
- ** All absences from meetings are excused.
- *** This column indicates the number of positions as auditor (as a Regular Auditor) held in other issuers. The full list of governing and control positions (Art. 144-*terdecies*, para, 2, Issuers' Regulations) is published by Consob on its website pursuant to art. 144-*quinquiesdecies* of the Issuers' Regulations.



